

Johns Hopkins University

**DEVELOPING POLICIES AND PROCEDURES FOR  
MANAGING SUBAWARDS IN AN INSTITUTION OF HIGHER  
EDUCATION**

A Capstone Paper Submitted to the  
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Master of Science in Research Administration

by  
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## **Abstract**

This research study is timely since it is prepared just four years after the Uniform Guidance became effective. The study will provide a better understanding of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance) and its importance in developing policies and procedures to comply with the requirements for pass-through entities applicable to Institutions of Higher Education (IHE). Using data results from an online survey, this Capstone Project assessed, examined and analyzed selected respondents' responses on their awareness of the federal regulations, the issues, and challenges encountered in the subaward management. Notwithstanding having policies and procedures in place, and the results caused by those issues and challenges as faced by IHEs and other Non-federal entities involved in subaward management. While the requirements for pass-through entities are stipulated in the Uniform Guidelines 2 CFR 200.331, it is essential to consider the need to cover the full range of activities in the cycle of a subaward. This paper examines the cycle of the subaward including the Pre-award phase, the Award phase, the Post-Award Stage up to the Closeout stage. The results of this study revealed a significant finding on misunderstanding with collaborators. Based on the results of this study the author recommends that misunderstanding with collaborators can be prevented through constant communication and clear well-written policies and procedures that convey the subaward work processes and the roles and responsibilities of each individual involved in the subaward management.

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## **Glossary**

**Executed Contract.** A contract that has been fully agreed to and signed by all parties.

**Federal Demonstration Partnership (FDP).** A non-profit association of federal agencies, academic research institutions (administrative, faculty and technical), and research policy organizations that works to streamline the administration of federally sponsored research and minimize the administrative burden on principal investigators while maintaining effective stewardship of federal funds.<sup>1</sup>

**Federal Research Terms and Conditions (RTC).** A streamlined approach that supports the implementation of the Uniform Guidance by providing clarification, supplementary guidance, and, where appropriate, selected options, while meeting the spirit and intent of a uniform implementation. The use of RTC will apply to an award when they are included as part of that award, or when incorporated into that award by reference.<sup>2</sup>

**Grants.Gov.** A government on-line system. It is the single access point for over 900 grant programs offered by the 26 Federal grant-making agencies, allowing organizations to electronically find and apply for competitive grant opportunities.<sup>3</sup>

**Internal Control.** A process implemented by a non-Federal entity [e.g., institution of higher education], designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations; Reliability of reporting for internal and external use; and Compliance with applicable laws and regulations.<sup>4</sup>

**Pass-through entity.** A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

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<sup>1</sup> University of Michigan. 2018. "Federal Research Terms and Conditions." Accessed April 5, 2018. <http://orsp.umich.edu/federal-research-terms-and-conditions>

<sup>2</sup> Federal Register. 2017 "A Notice by the National Science Foundation," on 03/14/2017. Accessed April 7, 2018. <https://www.federalregister.gov/documents/2017/03/14/2017-04955/final-notice-of-research-terms-and-conditions-rtc-to-address-and-implement-the-uniform>

<sup>3</sup> University of Wisconsin-Madison. 2018. "What is Grants.Gov." Accessed March 31, 2018. <https://www.rsp.wisc.edu/preaward/moregrantsgov.html>

<sup>4</sup> Collaborate NCURA. 2018. "Internal Controls: COSO, the Uniform Guidance, and More!" Mary Lee Brown. Posted February 06, 2015. Accessed April 02, 2018. <http://collaborate.ncura.edu/blogs/mary-lee-brown/2015/02/06/internal-controls-coso-the-uniform-guidance-and-more>

**Subaward.** An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

**Subrecipient.** A Non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

**The System for Award Management (SAM).** An official website of the United States government. There is no cost to use SAM. The use of this site for FREE to register to do business with the U.S. government, update or renew the entity's registration, check status of an entity registration, search for entity registration and exclusion records

**Termination.** The ending of a Federal award, in whole or in part at any time before the planned end of the period of performance.

**The Uniform Guidance.** A common term used for the Office of Management and Budget's (OMB) 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. A "government-wide framework for grants management."<sup>5</sup> It is an authoritative set of rules and requirements for Federal awards.

**Research-intensive University.** A category that the Carnegie Classification of Institutions of Higher Education used to identify universities in the United States that engage in extensive research activity. The 1994 edition of the Carnegie Classification defined Research I universities as those that: Offer a full range of baccalaureate programs; Are committed to graduate education through the doctorate; Give high priority to research; Award 50 or more doctoral degrees each year; and Receive annually \$40 million or more in federal support. In 1994, 59 institutions met these criteria. In 2015, 115 institutions are classified as "R1: Research Universities (Highest research activity)" in the Carnegie Classification of Institutions of Higher Education. These universities have a very high level of both research activity and per capita in such research activity, using aggregate data to determine both measurements. These two classifications can be seen as the aggregate supply and aggregate demand of

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<sup>5</sup> Grants.Gov. 2018. "OMB UNIFORM GUIDANCE (2014)." Accessed March 31, 2018. <https://grants.gov/web/grants/learn-grants/grant-policies/omb-uniform-guidance-2014.html>

research, respectively.<sup>6</sup> An Institution of Higher Education is said to be a research-intensive when “about a high ratio of expenditure on research about the value of net output. An institution that meets three criteria: it selects its students; it is primarily dedicated to the search for knowledge, and it is marked by a spirit of critical inquiry.”<sup>7</sup>

**Non-research-intensive University.** An institution is considered a non-research-intensive institution of Higher Education when its main mission is teaching rather than research. It is an institution that receives below \$40 million annually in federal support. Non-research-intensive IHEs usually exist in Primarily Undergraduate Institution (PUI) that educate about half of the biomedical researchers in the United States.<sup>8</sup> An Institution of Higher Education whose role is to create an environment that facilitates entry into academic and research careers by providing time for meaningful research training as well as the integration of basic/clinical sciences and evidence-based approaches into the curriculum.<sup>9</sup>

**The Schedule of Expenditures of Federal Awards (SEFA).** A required schedule that is prepared by state and local governments and not-for-profit entities each year that lists the expenditures for each grant during the period covered by the organization’s financial statements.

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<sup>6</sup> “Research I University,” Wikipedia, last modified March 13, 2018. Accessed April 3, 2018, [https://en.wikipedia.org/wiki/Research\\_I\\_university](https://en.wikipedia.org/wiki/Research_I_university)

<sup>7</sup> Gerhard Casper. 1998. “The Advantage of the Research-Intensive University.” Stanford University Office of the President. May 3. Accessed March 31, 2018. <http://web.stanford.edu/dept/pres-provost/president/speeches/980503peking.html>

<sup>8</sup> Jean Chin. "Most Common Questions About NIH-AREA Grant Applications" Council on Undergraduate Research Quarterly Vol. 24 Iss. 3 (2004): pp. 111-119. Accessed March 18, 2018. <http://www.undergradresearch.gatech.edu/sites/default/files/documents/funding-and-grants-final.pdf>

<sup>9</sup> Marquette University School of Dentistry. 2004. The Role of “Research non-intensive” Institutions within the Global Framework. Anthony M. Iacopino. Accessed March 18, 2018. <http://journals.sagepub.com/doi/pdf/10.1177/154405910408300401>



### **Acronyms**

DOD	Department of Defense
DOE	Department of Energy Laboratory
NIH	National Institute of Health
NSF	National Science of Health

### **Abbreviations**

GA	Grants Administrator
GCA	Grants Compliance Administrator
IHE	Institution of Higher Education
NPO	Nonprofit Organization
NRIIHE	Non-Research-Intensive Institution of Higher Education
PI	Principal Investigator
PTE	Pass-Through Entity
PUI	Primarily Undergraduate Institution
RIIHE	Research-Intensive Institution of Higher Education
RTC	Federal Research Terms and Conditions
SPO	Sponsored Project Office

## **Chapter 1. Introduction**

### **1.1 Background: Subaward Management**

Acceptance of funds from a Federal Agency by an Institution of Higher Education (IHE) to conduct research may involve the issuance of subawards by the IHE. It also requires adherence to applicable Federal Research Terms and Conditions (RTC) as well as compliance to other federal rules and regulations such as protection of human subjects, the care and use laboratory animals, and financial conflict of interest.

Acceptance of a Federal subaward issued by a Non-Federal agency to carry out a part of a Federal award comes with responsibility. An agency, according to the 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Awards (Uniform Guidance), is said to be a Non-Federal Entity if it is “a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization (NPO) that carries out a Federal award as a recipient or subrecipient.”<sup>10</sup> An IHE can either be a research-intensive or a non-research-intensive entity. An IHE is said to be research-intensive when “it focuses financial and other resources on research and development as opposed to capital and labor; noting or pertaining to a high ratio of expenditure on research in relation to the value of net output.”<sup>11</sup>

If an IHE is the prime recipient of funding it will issue subawards as a Pass-through Entity (PTE) to a subrecipient. If the IHE is not the prime recipient, it will receive funds from another entity as a subrecipient. An IHE who wishes to receive a subaward from a

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<sup>10</sup> Grants.Gov. 2018. “Grant Terminology.” Accessed March 15, 2018.  
<https://grants.gov/web/grants/learn-grants/grant-terminology.html#N>

<sup>11</sup> Dictionary.com. 2018. “Research-intensive.” Dictionary.com. Accessed March 15, 2018.  
<http://www.dictionary.com/browse/research-intensive>

PTE initially applies for a portion of an award by submitting the Letter of Intent and a plan to assume a portion of the research programmatic effort. These two documents are submitted to the PTE, along with the submission of a Subrecipient Commitment Form (all subrecipients are required to complete the form signed by the authorized organizational representative). An NRIIHE becomes a PTE, per Grants.Gov, when it provides a subaward to a subrecipient to carry-out part of a Federal program<sup>12</sup>. Moreover, the PTE is responsible for the negotiation, issuance, oversight, and management of a subaward.

This project examines the five (5) existing different subaward policies and procedures of an IHE and analyzes the elements to determine their applicability to a NRIIHE. This capstone project also examines whether the implementation of the policies and procedures for subaward management gathered from different IHE's are appropriate for an NRIIHE. Survey questionnaires were sent out via Google Forms<sup>13</sup> to twenty-six participants from different institutions. Fifteen recipients responded at the beginning, however, the respondent from the Hospital System was taken off the count for inability to complete the questionnaires. The remaining fourteen recipients responded to the survey electronically, from which, three responded in detail through a telephone interview. The responses came from persons working in research administration as either a Research Administrator, Program Specialist, Grant Accountant, Financial Consultant, Director of

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<sup>12</sup> Grants.Gov. 2018. "Grant Terminology." Accessed March 15, 2018.  
<https://grants.gov/web/grants/learn-grants/grant-terminology.html#N>

<sup>13</sup> Google. 2018. "How to use Google Forms." Docs editors Help. Accessed March 15, 2018.  
<https://support.google.com/docs/answer/6281888?co=GENIE.Platform%3DDesktop&hl=en>

Administration (Dean's Office), Associate Vice President for Sponsored Programs or Accounts Payable Staff. The responses from the participating 14 respondents assisted the author of this project in designing the policies and procedures needed by subaward management. The capstone project also examines and analyzed the literature on audit results from various federal agencies that assist in the preparation of the best practices and development of streamlined subaward management.

## **1.2 Statement of the Problem:**

The administration of subawards is stated in the Uniform Guidance (UG), "government-wide framework for grants management." This document from the federal Office of Management and Budget (OMB) is a compilation of regulations that govern administrative requirements, cost principles, and audit requirement for federal awards. It applies to higher education and became effective on December 26, 2014. Subaward management is stated in various sections of the UG, particularly in 2 CFR Part 200 Subpart D, Sections 200.330-200.337.

A subaward is an award passed on by a non-federal entity (also called Pass-through entity or PTE) "to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subrecipient is the institutional entity that receives the subaward or subcontract. For purposes of this Capstone project, the subaward or subcontract will be called a subaward. A subaward may be provided through any form of legal agreement, including an agreement that the pass-

through entity considers a contract.”<sup>14</sup> A non-federal entity can be “a state, local government, Indian tribe, IHE, or nonprofit organization that carries out a Federal award as a recipient or subrecipient.”<sup>15</sup>

As a PTE<sup>16</sup>, the IHE is responsible for complying with subaward management and monitoring requirements. The Federal funding agencies distribute the funds to the PTE in the form of federal assistance awards. “Each year, the United States Government awards more than \$500 billion in Federal Assistance Agreements, most commonly in the form of grants.”<sup>17</sup> It is the responsibility of IHE as the grant recipient and as the PTE to perform proper stewardship that includes passing on a subaward to its subrecipient and monitoring those awards.

According to Grants.Gov. the award recipients have three main responsibilities; stewardship of federal funds, uses of the dollar awards for the intended purpose, and accounting for costs with justified expenditures.<sup>18</sup> The PTE has the same three responsibilities as a recipient of funds from Federal Agencies; consequently, when the PTE passes down subawards to the subrecipients, the same responsibilities are passed on to the

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<sup>14</sup> Grants.Gov. 2018. “Grant Terminology.” Accessed March 15, 2018. <https://grants.gov/web/grants/learn-grants/grant-terminology.html#N>

<sup>15</sup> Ibid

<sup>16</sup> Ibid.

<sup>17</sup> Grants.Gov. 2018. Fraud and Scams. “Why are federal grants awarded? Accessed March 15, 2018. <https://www.grants.gov/web/grants/learngrants/grant-fraud/grant-fraud-responsibilities.html>

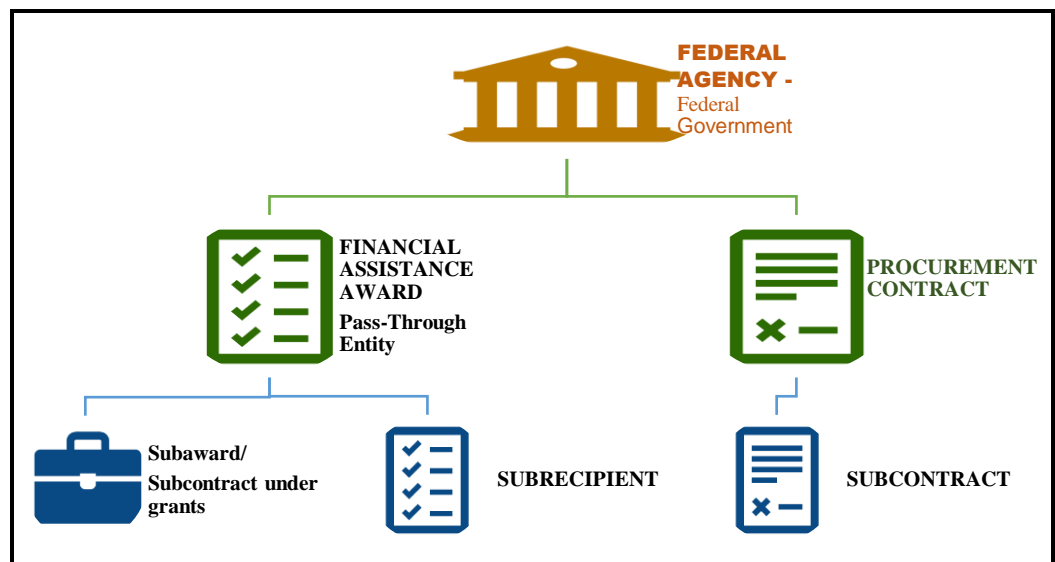
<sup>18</sup> Grants.Gov. 2018. “What are the responsibilities of award recipients?” Accessed March 15, 2018. <https://www.grants.gov/web/grants/learn-grants/grant-fraud/grant-fraud-responsibilities.html>

subrecipients. Any deviation from complying with the UG may result in an audit finding and may be seen by the federal government as a misuse of federal funds. The results of inappropriate use of grant monies such as unjust enrichment, personal gain, or other than their intended purpose are illegal and subject to criminal and civil prosecution under the laws of the United States.

Figure 1 is an illustration of how the Federal Agencies distribute the financial assistance directly to a non-federal entity (that now becomes a pass-through entity). While Figure 1 includes the procurement process for contracts, this paper will only focus on grants and the subaward process and not on the procurement process.

A RIIHE and a NRIHE can be both a subrecipient and a Pass-through Entity at the same time. Each becomes a subrecipient when they receive funds to carry out a part of a programmatic effort of a Federal award from another Non-Federal Entity. They become a PTE when they issue subawards to other Non-federal entities.

Figure 1 The Subrecipient and Subcontract Process



### **1.3 Research Questions:**

This capstone project was designed to examine the existence and importance of subaward management in a Non-Research-Intensive IHE (NRIIHE) by exploring the list of questions below:

1. Does the respondent's institution fall under the NRIIHE or any other specified institution?
2. What is the respondent's employment designation/title?
3. From 2012 to 2017, did the respondent's institution received grant awards that involved subrecipients? How many were received?
4. From 2012 to 2017, did the respondent's institution issued subawards to subrecipients? How many were issued?
5. Does the respondent's institution have a current subrecipient and subcontract policy?
6. Is the respondent aware of the regulatory requirements, such as 2CFR 200 and Federal Acquisition Regulation, to monitor and manage subrecipients and subcontracts?
7. Did the respondent's institution encounter any challenges in the subrecipient and subcontract management?
8. At what stage(s) of the grant life cycle did the respondent's institution encountered any challenges in subrecipient and subcontract management?  
  
If the institution encountered the challenges, were they encountered during Pre-Award, Post-Award, and the Accounting processes?

9. Have any of the challenges the respondent's institution encountered in the management of subrecipient and subawards resulted in an audit finding, restitution of full or partial funding, a stop work order, and/or a misunderstanding with collaborators?

#### **1.4 Research Objectives**

The objective of this capstone project was to:

1. Survey five Institutions of Higher Education to determine the best practices they use when issuing an award or awards to a subrecipient.
2. Analyze the results of the survey to determine the best practices that will work in a NRIIHE.
3. Identify the roles and responsibilities of key personnel in the subaward management in a NRIIHE.
4. Examine the process of subaward management in a RIIHE.
5. Based on the survey results decide which best practices, policies, and procedures that are applicable to an NRIIHE.
6. Provide analysis and recommendation to a NRIIHE for the development of policies and procedures for subawards management.

#### **1.5 Significance**

The research project was designed to provide a better understanding of the importance of developing policies and procedures in a NRIIHE for managing subawards. This project was also designed to provide specific guidance on the different key personnel



involved in handling the subaward and subrecipient management. The research project also examined respondents' awareness of the Uniform Guidance to the NRIIHE and its other subrecipients (small business entity or a small-scale nonprofit organization), as these institutions usually "do not have the capacity to develop policies and procedures in handling subawards."<sup>19</sup> To the new researchers, this project provides a foundation for handling a portion of a federal award through the subaward. It also serves to demonstrate best practices for NRIIHEs.

There are various grant-making federal agencies, and this Capstone Project focuses on only three: The National Institute of Health (NIH), National Science Foundation (NSF), and the Department of Defense (DOD). These Federal agencies have similar definitions of a subaward, yet they all have different requirements in applying for subawards. All three Federal agencies described a subaward as an award issued by PTE to a subrecipient with a purpose of carrying out a portion of the project "provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract."<sup>20</sup>

All three federal agencies specified that such award excludes payments to an individual or payments to a contractor who is a beneficiary of a Federal program. The NIH treated subawards as a consortium agreement in which the subaward helps to improve the researcher's expertise and efficiency in performing their research work. The NSF calls subawards as collaboration and has two procedures for accepting collaboration. The

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<sup>19</sup> ("do not have the capacity to develop policies and procedures in handling subawards," interview with a finance manager, February 19, 2018)

<sup>20</sup> Grants.gov. 2017. "What Is a Subaward and a Subrecipient?" Accessed April 3, 2018. <https://blog.grants.gov/2017/12/06/what-is-a-subaward-and-a-subrecipient/>

application for NSF's collaboration can be a single proposal, and this is where a single award is being requested, and the subaward is administered by the lead organization. Another application for NSF's collaboration is by simultaneous submission of proposals from different organizations, and each organization is requesting for a separate award.

Unlike both the NIH and the NSF where subaward management for for-profits was not mentioned, the DOD's definition for subawards stated that any DOD and its components' funding of award applies to any legal entity<sup>21</sup>. Any legal entity includes any State, local government, university or other nonprofit organization as well as any for-profit entity.

When a NRIHE has proper policies and procedures for subaward management in place, it demonstrates the IHE's determination to meet the responsibilities of a subrecipient and or as a Pass-Through Entity as stated in 2 CFR 200.331 and illustrated in Figure 2. The Uniform Guidelines specifically notes that the requirements for PTE and Subrecipients is the central key to developing the policies and procedures for managing subawards.

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<sup>21</sup>Code of Federal Regulations, Title 32 – National Defense. 2018. Part 32 Subpart A 32.5 Subawards. Accessed March 15, 2018. <https://www.gpo.gov/fdsys/pkg/CFR-2011-title32-vol1/xml/CFR-2011-title32-vol1-subtitleA-chapI-subchapC.xml>

Figure 2 Requirements for PTE and Subrecipient<sup>22</sup>

§ 200.331 - Requirements for pass-through entities and subrecipients	
<b>All pass-through entities must:</b>	
(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:	(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
(i) Federal Award Identification.	(1) The subrecipient's prior experience with the same or similar subawards;
(i) Subrecipient name (must match the name associated with its unique entity identifier);	(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
(ii) Subrecipient's unique entity identifier;	(3) Whether the subrecipient has new personnel or new or substantially changed systems; and
(iii) Federal Award Identification Number (FAIN);	(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
(iv) Federal Award Date (see § 200.39 Federal award date) of award to the recipient by the Federal agency;	(c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in § 200.207 Specific conditions.
(v) Subaward Period of Performance Start and End Date;	
(vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;	(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
(vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;	(1) Reviewing financial and performance reports required by the pass-through entity;
(viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;	(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);	(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.
(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;	(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;	(1) Providing subrecipients with training and technical assistance on program-related matters; and
(xii) Identification of whether the award is R&D; and	(2) Performing on-site reviews of the subrecipient's program operations;
(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).	(3) Arranging for agreed-upon-procedures engagements as described in § 200.425 Audit services.
(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;	(f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equalled or exceeded the threshold set forth in § 200.501 Audit requirements.
(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;	(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.
(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f);	(h) Consider taking enforcement action against noncompliant subrecipients as described in § 200.338 Remedies for noncompliance of this part and in program regulations.
(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and	
(6) Appropriate terms and conditions concerning closeout of the subaward.	[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014; 80 FR 54409, Sept. 10, 2015]

<sup>22</sup> Electronic Code of Federal Regulations. E-CFR data is current as of April 9, 2018. "§200.331 Requirements for pass-through entities." Accessed March 30, 2018. [https://www.ecfr.gov/cgi-bin/text-idx?SID=a745653886d11edb6b45a6d9d06e88e6&mc=true&node=se2.1.200\\_1331&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=a745653886d11edb6b45a6d9d06e88e6&mc=true&node=se2.1.200_1331&rgn=div8)

## **1.6 Exclusions and Limitations**

This Capstone Project did not include the “Fixed-price subawards that are mostly applicable to a RIIHE, a Foreign Entity, or Corporations.”<sup>23</sup> Internal Control Policies were briefly mentioned as a requirement for subrecipient but were not fully examined in this project. This capstone project discussed only the effect of one audit finding because it was the only audit dealing with IHE’s metrics that involved the subaward management in a non-research-intensive IHE.

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<sup>23</sup> “Fixed-price subawards that are mostly applicable to a research-intensive IHE or Foreign Entity as well as Corporations,” interview with an Associate Vice Chancellor, February 19, 2018

## **Chapter 2. Review of Literature**

### **2.1 Importance of Determining a Subrecipient from a Subcontractor.**

A NRIIHE, when issued a grant from federal source of funding, may include in its proposed budget and identify in its narrative a subrecipient. Through this process, the federal government agency is made aware that the recipient of the grant, also known as the prime institution, will issue a subaward or a subcontract. The prime institution passes down funds (pass-through entity) to subrecipients in one of two classifications as subaward or subcontract. “When an institution provides project funding to outside entities to accomplish a portion of the scope of work, it takes on the role and responsibility of the sponsoring agency in terms of oversight given to the subrecipients<sup>24</sup>.”

When PTE issues a grant to a subrecipient it is called as a subaward and when PTE issues a contract to a subrecipient it is called a subcontract. However, sometimes the Federal agencies call both subawards and subcontracts simply subcontracts. The subrecipient is the institution’s entity that receives award as a subaward or subcontract.

On the other hand, an institution may issue a vendor agreement where funds will be used for obtaining goods and services for the Institution’s use and creates a procurement relationship with the contractor. In the past, there have been issues in how a Pass-Through Entity identifies a subrecipient. According to grants consultant, Robert M. Lloyd, “The confusion exists in part because there is a widespread misuse of the terminology, which stems from a lack of clarity in some applicable guidance. Grantees, and, in fact, federal

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<sup>24</sup> Lynne U. Chronister and Elliott C. Kulakowski. “Research Administration And Management.” Subawards and Subcontracts Administration. (Ontario, CA: Jones and Barlett Publishers, Inc., 2006), 52.

officials, often refer to all subawards as subcontracts or use an even more ambiguous phrase.”<sup>25</sup>

An institution should determine in advance the type of sponsored award relationship it will have with another organization to determine the kind of legal agreement the institution will be required to issue. The determination if the award relationship will be a subaward or a subcontract can happen in the proposal stage. The relationship determination is necessary to establish the respective portion of responsibilities and the application of indirect cost to the budget. The decision of the award relationship under a sponsored award is necessary as stated in 2 CFR 200.330 and 200.331 (a) 6 (b) (e) where it stressed that PTE should conduct a risk assessment<sup>26</sup>. While it is not included in the Uniform Guidance to make the risk assessment before granting the award, the Uniform Guidance does require that the PTE assess the risks in order to establish monitoring priorities<sup>27</sup>. The PTE’s procedures for conducting risk assessment must be documented and included as part of the PTE’s written internal controls.

The Sponsored Project Offices (SPO) is the institutional entity that seeks and accepts external funding.<sup>28</sup> In the Pre-Award Stage (Funding Opportunity Announcement

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<sup>25</sup> Duke University Code of Federal Regulations. 2018. “The Devil Is in the Details: Distinguishing Subrecipient Awards from Subcontracts through entities.” Accessed February 25, 2018. <https://finance.duke.edu/research/documents/SubcontractSeries-1.pdf>

<sup>26</sup> Code of Federal Regulations. 2014. Title 2 – Grants and Agreements. Requirements for pass-through entities. Accessed March 15, 2018. <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/xml/CFR-2014-title2-vol1-sec200-331.xml>

<sup>27</sup> Ibid

<sup>28</sup> Lynne U. Chronister and Elliott C. Kulakowski. “Research Administration And Management.” Subawards and Subcontracts Administration. (Ontario, CA: Jones and Barlett Publishers, Inc., 2006), 52.

& Application Review), the Grant Administrator (GA) is responsible for processing the funding application that includes the proposal development and submission, award acceptance and negotiation of the terms of the award. To identify the nature of the funds received, Table 1 Subrecipient (Subaward and Subcontract) identifies the characteristics of a subrecipient.

Table 1 Subrecipient (Subaward and Subcontract)<sup>29</sup>

<b>Subrecipient</b>
<b>SUBRECIPIENT (SUBAWARD/SUBCONTRACT)</b>
An entity that has agreed to work in collaboration with the Institution's PI to perform a substantive portion of the programmatic effort on an award.
Works collaboratively with the Institution's PI as a co-investigator at another entity to which funds are being passed.
Has authority to make administrative and programmatic decisions and to control the method and results of work
Has responsibility to meet all applicable sponsor requirements
Has performance measured against meeting the program objectives
Are designated senior/key personnel in the proposal-may be a Co-PI
Uses sponsor funds to carry out a program rather than provide a good or a service
Has responsibility for the end results of the research effort
Services are complex and require a scope of work and budget, billing requirements, and a deliverable schedule
The entity's statement of work may represent an intellectually significant portion of the programmatic decision making
The entity's work results may involve intellectual property and/or may lead to publications
Needs animal and/or human subjects approvals for its independent portion of the work
Requires a separate budget and budget justification in the application
<b>If the statements above best describe your proposed agreement, it is a SUBRECIPIENT</b>

<sup>29</sup> "Subrecipient vs. Vendor/Contractor vs. Consultant," Subrecipient portion. Arizona State University, last modified January 12, 2017, accessed March 15, 2018.  
<https://researchadmin.asu.edu/topical-guide/subrecipient-vendor-consultant>

When the NRIHE is a pass-through entity that issues subawards, the Grants Compliance Administrator (GCA) works with GA in determining the category of the proposed agreement and appropriate terms and conditions that require compliance with the program requirements. Table 3 is an example of a form to help identify if an award is a subrecipient or a vendor.

Figure 2 Subrecipient vs. Vendor Response Form<sup>30</sup>

<b>Subrecipient vs. Vendor Response Form</b>		
Project: _____ CFDA Number: _____ Other Identifying Number: _____		
<i>Circle a yes or no answer and provide an explanation for the answer. Also include references to the documentation used to arrive at the answers. Use the last column to identify any other factors not specifically addressed that should be considered material to the decision.</i>		
<b>Vendor</b>	<b>Subrecipient</b>	<b>Use of Judgment in Making Decisions</b>
1) Provides the goods and services within normal business operations.  YES      NO  Reference:	1) Determines who is eligible to receive what financial assistance.  YES      NO  Reference:	1)   Reference:
2) Provides similar goods or services to many different purchasers.  YES      NO  Reference:	2) Has its performance measured against whether the objectives of the program are met.  YES      NO  Reference:	2)   Reference:
3) Operates in a competitive environment.  YES      NO  Reference:	3) Has responsibility for programmatic decision making.  YES      NO  Reference:	3)   Reference:
4) Provides goods and services that are ancillary to the operation of the program.  YES      NO  Reference:	4) Has responsibility for adherence to applicable program compliance requirements.  YES      NO  Reference:	4)   Reference:
5) Is not subject to compliance requirements of the program.  YES      NO  Reference:	5) Uses the funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.  YES      NO  Reference:	5)   Reference:

Form adapted from the Texas State Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, July 2007.

<sup>30</sup> State Accounting Office. 2008. "Guide to Subrecipient/Subgrantee Payments vs. Vendor/Contractor Payments." Accessed. March 15, 2018.  
[http://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit\\_1210/2/38/155195386SubrecipientvsVendor.pdf](http://sao.georgia.gov/sites/sao.georgia.gov/files/imported/vgn/images/portal/cit_1210/2/38/155195386SubrecipientvsVendor.pdf)



## **2.2 Details of review and how it applies to the project**

According to Chronister et al., “The institution needs to have in place written policies and procedures governing subawards and subcontracts.”<sup>31</sup> These policies should cover each stage in the lifecycle of the grant, namely: the Pre-Award Phase (Funding Opportunity Announcement & Application Review); Award Phase (Award decisions & Notifications); and Post-Award Phase (Implementation, Reporting & Closeout) as defined by Grants.gov.<sup>32</sup>

This Capstone Project assessed the survey respondent’s awareness of the federal regulations and reviewed the respondent’s existing policies and procedures in subaward management (if any), the number of subawards each respondent received and issued, as well as challenges encountered in subaward management. It also reviewed the results of issues as encountered by different organizations: a Research-Intensive Institution of Higher Education, Non-research-intensive IHE’s, a Laboratory, and a Direct Service Nonprofit. This capstone project used the survey as an assessment tool to identify and promote effective practices, to convey information on the potential outcomes of the design of the policies and procedures, and to provide checklist and tools for the proper handling of subawards.

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<sup>31</sup> Lynne U. Chronister and Elliott C. Kulakowski. “Research Administration And Management.” Subawards and Subcontracts Administration. (Ontario, CA: Jones and Barlett Publishers, Inc., 2006), 52.

<sup>32</sup> Grants.Gov. 2018. Grants 101. “The Grant Lifecycle.” Accessed March 15, 2018. <https://grants.gov/web/grants/learn-grants/grants-101.html>

## **Chapter 3. Project Description**

### **3.1 Discussion of project elements**

The intention of this capstone project is to develop appropriate policies and procedures, necessary guidelines and best practices in the area of subawards in a NRIHE. This capstone project reviewed subaward policies and procedures of different institutions and identified the legal responsibilities as reflected in 2 CFR 200, other federal regulations such as procurement activities and A-133. The author identified and issued a questionnaire to specific personnel. These personnel included: Principal Investigator(s), Program Managers, Grant Administrators, an Associate Vice President of Sponsored Programs, a Grant Compliance Administrator, the Legal Department<sup>33</sup>, a Purchasing Officer, and Accounts Payable Staff and identified their roles in providing effective and efficient management of subawards. This capstone project also compiled issues in identifying subrecipients in the proposal, issuance of awards, monitoring of activities, and close-out activities.

The intention of this capstone project was to build guidelines that would include the distinction of subawards from subcontract (definition of terms) as defined by different federal agencies such as NIH, NSF, and DOD. This capstone project also identified and reviewed the requirements of a subrecipient, including the different forms to be used in a subaward or a subcontract, negotiation of terms and flow down of responsibilities as shown in Figure 3, as well as proper reporting of expenditures in the financial statement (Schedule

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<sup>33</sup> Martin Lonstrup & Magnus Steen. Contract Business Intelligence. 2015. "How a General Counsel and Legal creates value through Contract Management leadership," Accessed April 11, 2018. <http://www.cbicontracts.com/general-counsel-and-legal-creates-value-through-contract-management-leadership/>

of Expenditures of Federal Awards - SEFA).<sup>34</sup>

Figure 3 The Subaward Requirements from Different Federal Agencies as stated in their respective Research Terms and Conditions<sup>35</sup>

Research Terms and Conditions Appendix B Subaward Requirements							
	Institutions of Higher Education	Non-Profit Organizations Other than Hospitals	Non-Profit Hospitals	For-Profit Hospitals	State, Local and Indian Tribal Governments	For-Profit Entities other than Hospitals and Foreign Entities	Non-Profit Organizations Identified in Appendix VIII to 2 CFR § 200
This subaward is subject to Allowable Cost Requirements specified in--							
	2 CFR § 200, Subpart E, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	2 CFR § 200, Subpart E, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	Agency implementations of 45 CFR part 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals".	Agency implementations of 45 CFR part 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals".	Agency implementations of 2 CFR § 200, Subpart E.	Federal Acquisition Regulation (FAR) at 48 CFR part 31.	Federal Acquisition Regulation (FAR) at 48 CFR part 31.
This subaward is subject to the Administrative Requirements specified in--							
	2 CFR § 200, Subpart D, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	2 CFR § 200, Subpart D, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	2 CFR § 200, Subpart D, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	Agency implementations of 2 CFR § 200, Subpart D.	Agency implementations of 2 CFR § 200, Subpart D.	Administrative requirements for awards to for-profit organizations of the Federal awarding agencies.	Agency implementations of 2 CFR § 200, Subpart D.
Agency Requirements Specified in--							
DOE	2 CFR § 200, Subpart D, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	2 CFR § 200, Subpart D, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	2 CFR § 200, Subpart D, the Research Terms and Conditions Overlay, and any applicable Agency Specific Requirements.	Agency implementation of 2 CFR § 200, Subpart D and 2 CFR 910.	Agency implementation of 2 CFR § 200, Subpart D and 2 CFR 910.	Federal Acquisition Regulation (FAR) at 48 CFR part 31 and 2 CFR 910.	Agency implementation of 2 CFR § 200, Subpart D and 2 CFR 910.
NIH	The Research General Terms and Conditions and the Agency Specific Requirements.	The Research General Terms and Conditions and the Agency Specific Requirements.	The Research General Terms and Conditions and the Agency Specific Requirements.	45 CFR 75 and the NIH Grant Policy Statement ( <a href="http://www.nih.gov/grants/policy/policy.htm#pgs">http://www.nih.gov/grants/policy/policy.htm#pgs</a> ).	45 CFR 75 and the NIH Grant Policy Statement ( <a href="http://www.nih.gov/grants/policy/policy.htm#pgs">http://www.nih.gov/grants/policy/policy.htm#pgs</a> ).	45 CFR 75 and the NIH Grant Policy Statement ( <a href="http://www.nih.gov/grants/policy/policy.htm#pgs">http://www.nih.gov/grants/policy/policy.htm#pgs</a> ).	45 CFR 75 and the NIH Grant Policy Statement ( <a href="http://www.nih.gov/grants/policy/policy.htm#pgs">http://www.nih.gov/grants/policy/policy.htm#pgs</a> ).
NSF	2 CFR § 200, Subpart E, the Research Terms and Conditions Overlay, and any applicable NSF Agency Specific Requirements.	2 CFR § 200, Subpart E, the Research Terms and Conditions Overlay, and any applicable NSF Agency Specific Requirements.	2 CFR § 200, Subpart E, the Research Terms and Conditions Overlay, and any applicable NSF Agency Specific Requirements.	NSF Grant General Terms and Conditions (GC-1) ( <a href="http://www.nsf.gov/awards/managing/general_conditions.jsp">http://www.nsf.gov/awards/managing/general_conditions.jsp</a> ), 2 CFR § 200 and, where referenced, the NSF Proposal and Award Policies and Procedures Guide ( <a href="https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg">https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg</a> ).	NSF Grant General Terms and Conditions (GC-1) ( <a href="http://www.nsf.gov/awards/managing/general_conditions.jsp">http://www.nsf.gov/awards/managing/general_conditions.jsp</a> ), 2 CFR § 200 and, where referenced, the NSF Proposal and Award Policies and Procedures Guide ( <a href="https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg">https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg</a> ).	NSF Grant General Terms and Conditions (GC-1) ( <a href="http://www.nsf.gov/awards/managing/general_conditions.jsp">http://www.nsf.gov/awards/managing/general_conditions.jsp</a> ), 2 CFR § 200 and, where referenced, the NSF Proposal and Award Policies and Procedures Guide ( <a href="https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg">https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg</a> ).	NSF Grant General Terms and Conditions (GC-1) ( <a href="http://www.nsf.gov/awards/managing/general_conditions.jsp">http://www.nsf.gov/awards/managing/general_conditions.jsp</a> ), 2 CFR § 200 and, where referenced, the NSF Proposal and Award Policies and Procedures Guide ( <a href="https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg">https://www.nsf.gov/publications/pubsumm.jsp?ods_key=pappg</a> ).
USDA/NIFA	2 CFR part 200, as implemented by 2 CFR parts 400 & 415, the Research Terms and Conditions Overlay, NIFA-Specific Research Terms and Conditions, and applicable Program-Specific Requirements in 7 CFR chapter XXXIV.	2 CFR part 200, as implemented by 2 CFR parts 400 & 415, the Research Terms and Conditions Overlay, NIFA-Specific Research Terms and Conditions, and applicable Program-Specific Requirements in 7 CFR chapter XXXIV.	45 CFR part 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals," as implemented by Appendix IX to 2 CFR Part 200, Hospital Cost Principles	Agency implementations of 45 CFR part 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals," as implemented by Appendix IX to 2 CFR Part 200, Hospital Cost Principles.	Agency implementations of 2 CFR part 200, Subpart E and 2 CFR parts 400 & 415.	Federal Acquisition Regulation (FAR) at 48 CFR part 31 and 2 CFR parts 400 & 415.	Federal Acquisition Regulation (FAR) at 48 CFR part 31 and 2 CFR parts 400 & 415.
DOC	2 CFR § 200, the Research Terms and Conditions, and Agency Specific Requirements	2 CFR § 200, the Research Terms and Conditions, and Agency Specific Requirements	2 CFR § 200, the Research Terms and Conditions, and Agency Specific Requirements	2 CFR § 200 Subparts A-E, 48 CFR Part 31, the Research Terms and Conditions, and Agency Specific Requirements	2 CFR § 200, the Research Terms and Conditions, and Agency Specific Requirements	2 CFR § 200 Subparts A-E, 48 CFR Part 31, the Research Terms and Conditions, and Agency Specific Requirements	2 CFR § 200 (except Subpart E), the Research Terms and Conditions, and Agency Specific Requirements
NASA	The Research General Terms and Conditions in 2 CFR 200 and the Agency Specific Requirements in 2 CFR 1800 in addition to the NASA Grant and Cooperative Agreement Manual	The Research General Terms and Conditions in 2 CFR 200 and the Agency Specific Requirements in 2 CFR 1800 in addition to the NASA Grant and Cooperative Agreement Manual	The Research General Terms and Conditions in 2 CFR 200 and the Agency Specific Requirements in 2 CFR 1800 in addition to the NASA Grant and Cooperative Agreement Manual	With cost sharing 14 CFR 1274 & NASA Grant and Cooperative Agreement Manual ( <a href="https://www.ecfr.gov/cgi-bin/text-idx?SID=a757899eafeb7b38a28ec6772e1e882&amp;pid=20170320&amp;node=pt14.5.1.274&amp;rgn=div5&amp;sp14.5.1274.1274.11">https://www.ecfr.gov/cgi-bin/text-idx?SID=a757899eafeb7b38a28ec6772e1e882&amp;pid=20170320&amp;node=pt14.5.1.274&amp;rgn=div5&amp;sp14.5.1274.1274.11</a> )	The Research General Terms and Conditions in 2 CFR 200 and the Agency Specific Requirements in 2 CFR 1800 in addition to the NASA Grant and Cooperative Agreement Manual	With cost sharing 14 CFR 1274 & NASA Grant and Cooperative Agreement Manual ( <a href="https://www.ecfr.gov/cgi-bin/text-idx?SID=a757899eafeb7b38a28ec6772e1e882&amp;pid=20170320&amp;node=pt14.5.1.274&amp;rgn=div5&amp;sp14.5.1274.1274.11">https://www.ecfr.gov/cgi-bin/text-idx?SID=a757899eafeb7b38a28ec6772e1e882&amp;pid=20170320&amp;node=pt14.5.1.274&amp;rgn=div5&amp;sp14.5.1274.1274.11</a> )	The Research General Terms and Conditions in 2 CFR 200 and the Agency Specific Requirements in 2 CFR 1800 in addition to the NASA Grant and Cooperative Agreement Manual
Audit Requirements Specified in --							
	2 CFR § 200, Subpart F	2 CFR § 200, Subpart F	2 CFR § 200, Subpart F	Audit requirements of the Federal awarding agency or the prime recipient.	2 CFR § 200, Subpart F	Audit requirements of the Federal awarding agency or the prime recipient.	2 CFR § 200, Subpart F

<sup>34</sup> Arizona State University. Last updated July 24, 2017. Research Administration. SEFA (Schedule of Expenditures of Federal Awards). Accessed March 30, 2018. <https://researchadmin.asu.edu/financial-accountability/sefa>

<sup>35</sup> National Science Foundation. Awards. 2018. Research Terms and Conditions. Research Terms and Conditions Appendix B Subaward Requirements - October 1, 2017. Accessed March 15, 2018. [https://www.nsf.gov/bfa/dias/policy/fedrtrc/appendix\\_b.pdf](https://www.nsf.gov/bfa/dias/policy/fedrtrc/appendix_b.pdf)

The PTE as the Prime Recipient of an award from the Federal agency flows down their responsibilities to the subrecipients. These responsibilities are covered by the basic provisions, agency-specific terms and conditions, and the federal-wide Research Terms and Conditions (RTC/FDP)<sup>36</sup>, the specific set of responsibilities for the Uniform Guidance subaward requirements were included in the Research Terms and Conditions Appendix B as summarized in Figure 3.

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<sup>36</sup> University of Michigan. 2018. "Federal Research Terms and Conditions." Accessed April 5, 2018. <http://orsp.umich.edu/federal-research-terms-and-conditions>

## **Chapter 4. Need Assessment**

### **4.1 Assessment of need for the project**

An Institution of Higher Education who receives an award as a pass-through-entity is subject to the monitoring and management requirements as stated in the Uniform Guidance. Developing policies and procedures will determine how monitoring and management requirements will be applied to comply with the roles and responsibilities of an IHE that passes federal funds to subrecipients. Most RIIHE have subaward policies and procedures in place. However, there are still institutions such as most NRIIHEs, small-scale nonprofit organizations, and small businesses that are aware of the federal regulations on subawards and subcontracts but do not have the capacity to develop policies and procedures in subaward management.

The existence of policies and procedures in subaward and subcontract management are very important, particularly for NRIIHE. These institutions are primarily funded by State appropriation, so when funding is reduced by the State devastating results occur such as staff reductions. The importance of roles and responsibilities of each employee is useful, particularly at times when reduced State funding appropriations decrease resulting in a massive staff reduction. These staff reductions not only affect the current work process in each department but also affect staff involved in subaward management. It is important for an IHE to comply with the Federal regulation and to do so, the “policies, guidelines, and laws that drive the processes and procedures”<sup>37</sup> should be developed and in place.

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<sup>37</sup> Sweet Process. 2018. “The Key difference Between Policy, Process, & Procedure (and Why it Matters For Your Business!).” Accessed March 15, 2018. The Key difference Between Policy, Process, & Procedure

Subaward “Processes - tasks within the overall process are identified”<sup>38</sup> should be maintained to ensure compliance. Subaward “Procedures – detailed steps required to perform an activity within a process”<sup>39</sup> should describe the role of each individual working with a subaward or a subcontract.

#### **4.2 Consultants in establishing project need**

Three different experienced persons actively involved in subaward management were consulted in establishing the need for this Capstone project. The knowledge, expertise, and insights shared by these individuals (One Principal Investigator and, two Associate Vice Presidents of Sponsored Program) have significantly enriched and broadened the perspective of the author of this capstone project paper.

#### **4.3 Committees established to assist in assessing the need**

The author established a committee at the non-research-intensive university to discuss the problems the institution faces in subaward and subcontract management. Included in the discussion was a review of IHE’s A-133 audit that pertains to handling subrecipient monitoring. To assist the committee the author provided examples of cost disallowances. The NSF Office of Inspector General audit of the University of Arizona in September 2017<sup>40</sup>, and the A-133 University of Illinois Fiscal Year 2016 audit findings

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<sup>38</sup> Sweet Process. 2018. “The Key difference Between Policy, Process, & Procedure (and Why it Matters For Your Business!).” Accessed March 15, 2018. The Key difference Between Policy, Process, & Procedure

<sup>39</sup> Ibid.

<sup>40</sup> National Science Foundation. October 3, 2017 (Revised). Performance Audit of Incurred Costs – University of Arizona. Accessed March 30, 2018. [https://www.nsf.gov/oig/\\_pdf/17-1-010\\_UA.pdf](https://www.nsf.gov/oig/_pdf/17-1-010_UA.pdf)

that involved subrecipient management<sup>41</sup> were discussed. The committee also discussed the overarching factors that influence the development of subaward policies and procedures as well as Institutional Policies, State Policies, and the Federal Policies. The committee examined with the author and gave their input into subaward and subcontract, management processes and how the different regulations applied to the Institution.

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<sup>41</sup> University of Illinois FY16 Federal Audit Corrective Action Plans. 2016. Accessed April 5, 2018. <https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=688009>

## **Chapter 5. Methodology**

### **5.1 Methods used to conduct the project**

This Chapter discusses the questionnaire design and questionnaire survey questions. It also discusses over the telephone interviews with three experts (Finance Manager, Vice Chancellor for Research, and Associate Vice President for Research) in the field of research administration.

#### **5.1.1 Questionnaire Design**

The questionnaire was designed to elicit information about subaward and subcontract processes at five IHE's. The capstone project used the quantitative metrics generated to analyze the participant's survey responses. The survey questions were composed of eleven multiple choice questions as well as a fill in the blank option to signify an answer other than the options indicated.

The questionnaire survey originally had nine questions, with fill in the blank options. Initially, the nine questions were typed in a list and had an instruction to circle the appropriate answers. Eventually two more questions were needed and the number of questions expanded to 11. All of the questions were entered into the electronic Google Forms platform for data collection purposes.

This capstone project also considered the Google search engine on articles about actual audit report findings that resulted from subaward management. Also included in the study were three over-the-phone interviews from three individuals (respondents) considered experts in RIIHE, NRIHE, and direct service nonprofit sectors.



Depending on the PTE's need, the portion of the work the subrecipient will perform should be part of the programmatic results of the PTE's entire project. PTE as the prime recipient of the award, passes-down subawards to Non-federal entity such as "a state, local government, Indian tribe, institutions of higher education, or nonprofit organizations."<sup>42</sup> For this reason, the respondents to the questionnaire came from non-federal entities represented by IHE's, a DOE national laboratory<sup>43</sup>, and a nonprofit organization.

Upon receipt of the Johns Hopkins University's Institutional Review Board (JHU IRB) approval, the questionnaire was issued to the selected participants. The survey included the purpose of the study and stated that participation was voluntary, and that the participant had the option to stop at any time. Also, participants were informed before they started the questionnaire that their responses would be protected and treated with utmost confidentiality.

## **5.2 Questionnaire Survey Questions**

Question one asked for the respondent to identify the type of institution they worked for such as an RIIHE, NRIHE, or other category such as laboratory or a direct service nonprofit. The question was needed to obtain information on who is responsible for subaward and subcontract policies and procedures. The second question was asked to

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<sup>42</sup> Grants.Gov. 2018. "Grant Terminology." Accessed March 15, 2018. <https://grants.gov/web/grants/learn-grants/grant-terminology.html#N>

<sup>43</sup> Guide to Partnering with DOE's National Laboratories. "Strategic Partnership Project (Non-Federal)." Revised and updated 2016. Accessed March 15, 2018. <https://www.inl.gov/wp-content/uploads/2016/05/Revised-Guide-Partnering-with-National-Labs-Final.pdf>

determine the employment designation of each respondent to establish the importance of the main personnel in the subaward and subcontract management process.

Questions 3 and 4 inquired about the number of subawards that were received by the respondent's institution in the last five years. While Questions 5 and 6 inquired about the number of subawards issued by the respondent's institution in the last five years. Questions 7, 8, and 9 were open-ended questions with Question 7 leading to Question 8 and 9. Question 7 asked respondents if the institution they work for has a subaward policy. Question 8 asked about the respondent's awareness and knowledge of the Uniform Guidance.

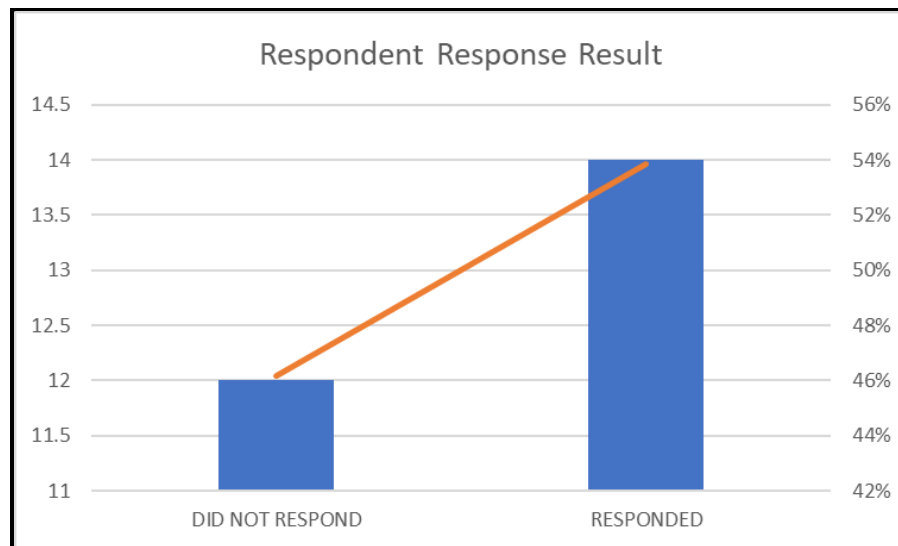
Questions 9 gave the respondent an option to stop or continue answering the remaining questions. The respondent was requested not to proceed to Questions 10 and 11 when the response to Question 9 indicated a No answer.

## Chapter 6. Project Results and Discussion

### 6.1 Detailed information about the results and what they mean

This Capstone Project started with the concept of the definition of subrecipient, subaward, and subcontract as defined by the different Federal agencies. The results of the questionnaire are discussed in this section. Identifying the key staff involved in subaward management and their awareness of the federal regulation on subawards and subrecipients has a significant impact on the success of policies and regulations at an institution. Respondents to this survey provided information concerning their awareness of the federal regulation in this area. The survey was sent to twenty-six (26) participants, but only fourteen or 54% of the total participants responded. This is shown in Figure 4 below.

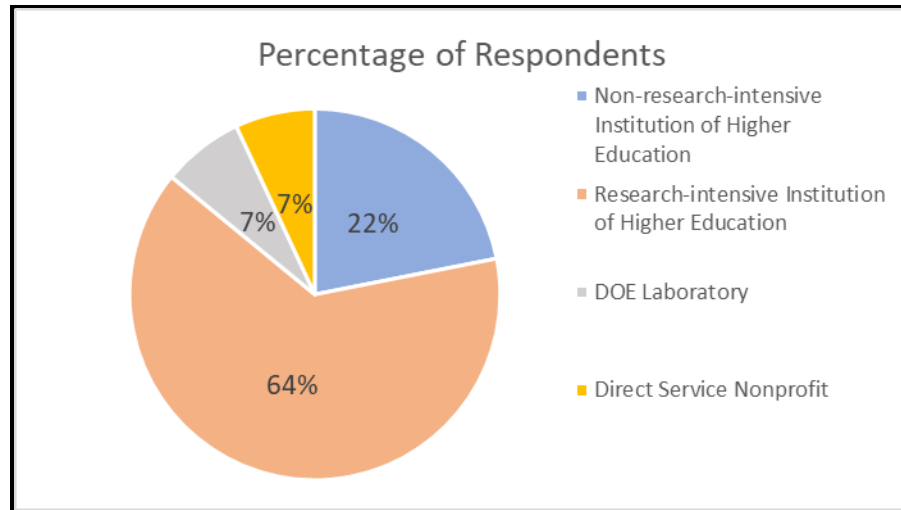
Figure 4 Respondent's Response Result



The first question served as the way to identify the type of institution where the respondent was employed. As shown in Figure 5, out of 14 respondents, 64% are employed

in a RIIHE. 3 or 22% are employed at a NRIIHE; 1 or 7% is employed by a DOE Laboratory; and the remaining 1 or 7% is employed at a Direct Service Nonprofit.

Figure 5 Respondent Response by Institution's Category



Information on the type of institution was used to determine who among the respondents' institutions had established policies and procedures in subaward and subcontract management. It is necessary to identify the type of institution that will carry out a Federal award as a recipient or subrecipient since these institutions are the ones responsible for establishing the subaward policies and procedures. These institutions such as a local government, an IHE, or a nonprofit organization are also called non-Federal entities.

In creating the groundwork for the Capstone project that relates to developing policies and procedures in subaward management in a NRIIHE the author considered the results of the survey in Question one. The two highest percentage responses came from respondents who are employed with either a RIIHE (64%) or a NRIIHE (22%), therefore, it is necessary to understand the definition of both institutions.

As stated previously, an institution is considered a non-research-intensive institution of Higher Education when its main mission is teaching rather than research. A RIIHE “that focuses on the high level of research of activity and minimal traditional function of teaching and learning.”<sup>44</sup> Because of the high level of research activity, RIIHE’s have the facilities and resources that the NRIIHE do not have. NRIIHE’s usually are Primarily Undergraduate Institutions (PUI), and often do not have the resources and state of the art research facilities even though they educate about half of the future biomedical researchers in the United States.<sup>45</sup>

Figures 6 and 7 are the summary of the survey results for Question 2 where respondents replied when asked about their employment designation. In this question respondents were given a list of titles to choose from in order to obtain information about the level of key personnel involved in subaward management. While the list provided in Question 2 included Principal Investigator, Associate Vice President of Sponsored Programs, Grant Accountant, and Accounts Payable Staff, the results gathered shows that NO response came from a Principal Investigator. This is unfortunate because PIs play a major role in the issuing of subawards and the monitoring of the subrecipients.

Included in Figure 6 were replies from 4 respondents that have an Associate Vice President of Sponsored Programs designation and were represented by one from NRIIHE,

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<sup>44</sup> Gerhard Casper, Stanford University Office of the President. 1998. “The Advantage of the Research-Intensive University “The University of the 21st Century. Accessed March 3, 2018. <http://web.stanford.edu/dept/pres-provost/president/speeches/980503peking.html>

<sup>45</sup> Jean Chin. "Most Common Questions About NIH-AREA Grant Applications" Council on Undergraduate Research Quarterly Vol. 24 Iss. 3 (2004): pp. 111-119. Accessed March 18, 2018. <http://www.undergradresearch.gatech.edu/sites/default/files/documents/funding-and-grants-final.pdf>

and three from a RIIHE. Moreover, Figure 6 also reflected the results gathered from 5 respondents that have a Grant Accountant designation with two respondents coming from an NRIIHE, two from RIIHE, and one from a DOE Laboratory.

Figure 6 Respondent with Employment Title

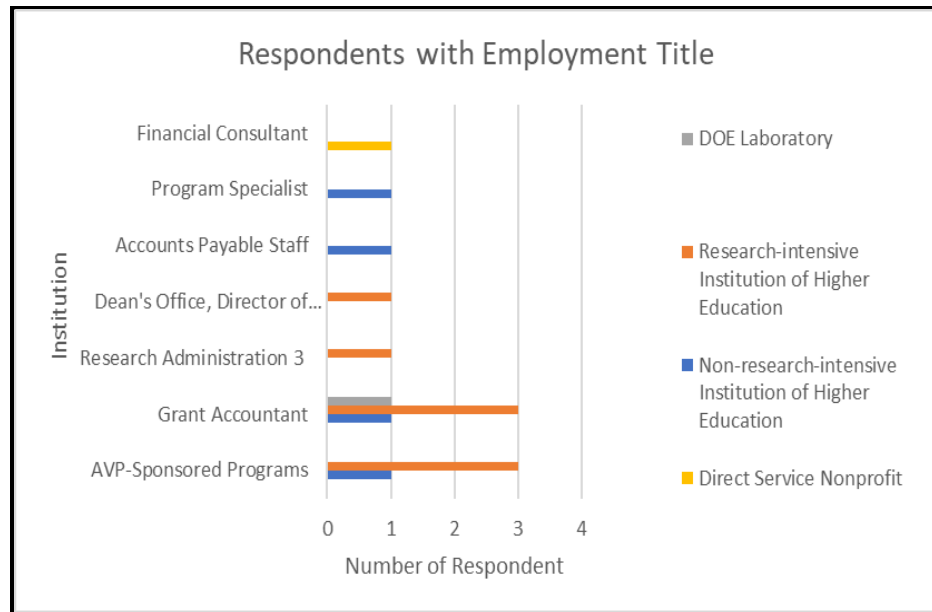
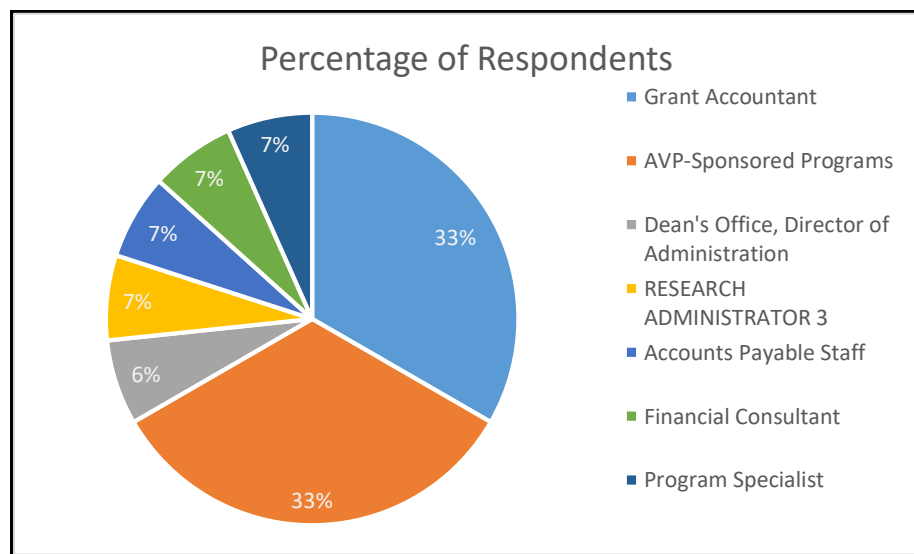


Figure 7 Percentage of Respondents

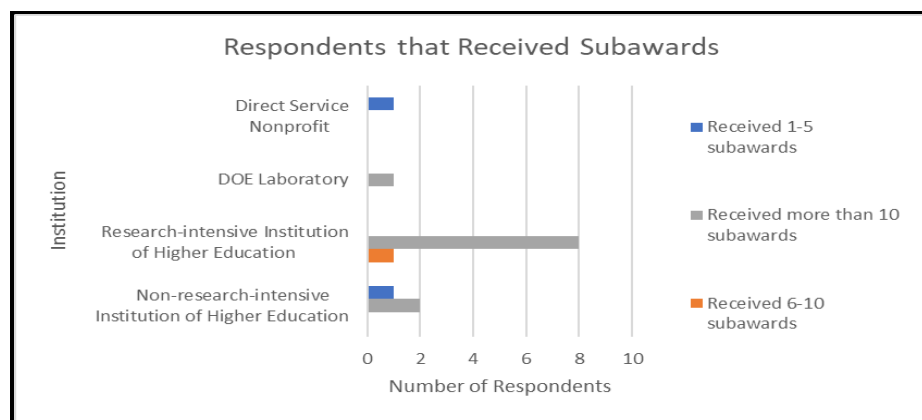


The survey also included replies from an NRIIHE represented by each respondent that have designation titles of Program Specialist, Director, Accounts Payable Staff, and a Research Administrator. At the same time, the result shows a response from a Financial Consultant that belongs to a Direct Service Nonprofit. These results will correlate with recipients' responses on knowledge of federal regulations to determine who among the respondents are aware of the federal regulations on subawards and how each respondent's roles and responsibilities take part in the subaward management.

Both questions 3 and 5 were designed to elicit information from respondents on the number of subawards and subcontracts, from 2012-2017, their institutions had received (question 4) and issued (questions 6). Figure 8 shows the respondents who received subawards where their institution was considered a subrecipient.

The survey results showed eleven respondents were employed at an institution that received more than ten subawards.

Figure 8 Respondents who Received Subawards – Subrecipients



Specifically, eight respondents came from an RIIHE, two respondents came from an NRIIHE, and one respondent came from a DOE laboratory. This means that that out of fourteen respondents there were 11 or 79% that received more than 10 subawards.

Only one respondent at a RIIHE received 6-10 subawards. This is unusual because traditionally RIIHEs do not receive grants that come with money for subrecipients. The survey results also showed that one respondent at a direct service nonprofit and one respondent at a NRIIHE received five or less subawards. This is not typical because ordinarily it is the NPO and the NRIIHE who applies to receive grant funds for subrecipients. These results will be the basis for a greater understanding of the respondent's answers as to whether their institution has an existing subaward policy and procedures. Figure 8 stated that respondents from that RIIHE had the highest number of subawards received from PTE and therefore considered as a subrecipient.

Figure 9 Respondents that Issued Subawards – as Pass-Through Entities

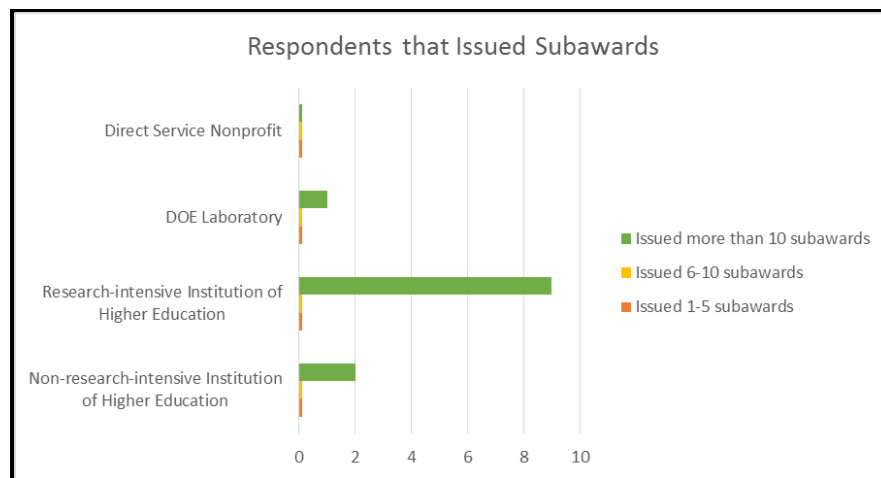


Figure 9 shows the respondents who issued subawards where their institution serves as the PTE. Based on the survey results, twelve respondents had issued more than ten subawards and are considered a PTE. The responses included one response from the DOE laboratory, nine from RIIHE's, and two from NRIIHE's for a total of twelve responses.

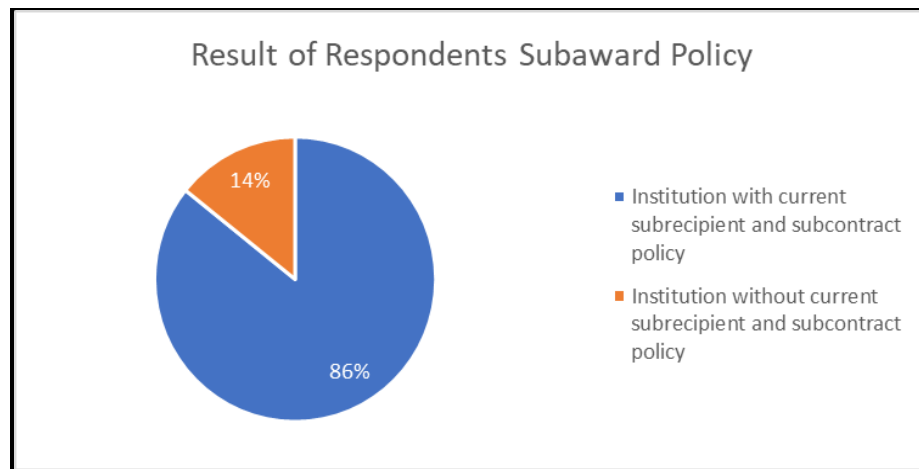
The survey results in Figure 9 showed that the Direct Service Nonprofit issued no subawards where it served at the PTE. Two respondents (one from Direct Service



Nonprofit and one from an NRIIHE) work in an institution that is not considered as a PTE since both respondents stated that their institution did not issue any subawards at all. This survey results show that not all non-Federal entities such as an IHE and NPO are considered PTE. An institution is said to be a PTE when it provides a subaward to a subrecipient to carry out part of a Federal program.

On a telephone interview conducted by the author, one of the respondents who belong to a RIIHE stated that their institution had received 300 subawards and subcontracts per year and had issued about 600 of subawards and subcontracts per year.<sup>46</sup> This denoted that the institution was a subrecipient and a PTE at the same time. This information represents the high level of research activity typical for RIIHEs that carries out a Federal award as a recipient or subrecipient or both as a recipient and subrecipient at the same time.

Figure 10 Result of Respondents Subaward Policy

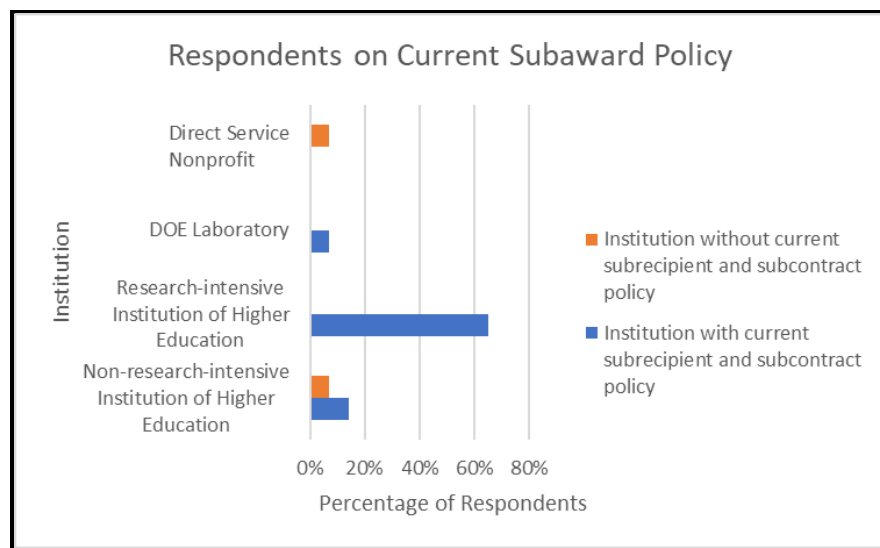


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<sup>46</sup> ("300 of subawards and subcontracts per year and had issued about 600 of subawards and subcontracts per year," interview with a Vice Chancellor, February 19, 2018)

In Question 7, the respondents were asked if their institution has a current subrecipient and subcontract policy in place. The results of the survey in Figure 10 stated that 86% of all respondents work at institutions that have an existing subaward and subcontract policy, while 14% work at institutions that does not have an existing subaward and subcontract policy. The survey results on institutions with existing subaward policies and procedures demonstrated the institution's support and compliance with the Uniform Guidance requirement on subaward policies and procedures for pass-through entities and subrecipients.

Figure 11 Respondents on Current Subcontract Policy

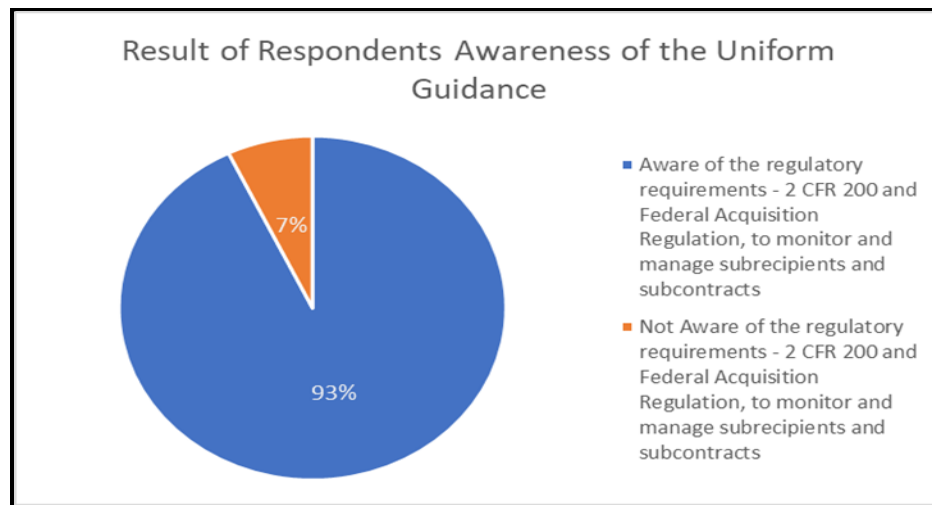


As shown in Figure 11, the institutions that have an existing subaward policy includes a DOE Laboratory, 2 NRIIHEs, and 9 at RIIHEs. Also, Figure 11 shows that there are two institutions that have no existing subaward policy: one respondent is at a direct service nonprofit and one respondent is at an NRIIHE. These two institutions represented 14% of the total respondents and have responded previously that they received grant awards for subrecipients. Therefore, both institutions are subject to comply with the

Uniform Guidance requirement to develop policies and procedures for pass-through entities and subrecipients.

In Figure 11 shows that the RIIHE has the most response of “yes” on Question 5, with 65% out of the total fourteen respondents, followed by a NRIHE and a DOE Laboratory that both have 7% each. The survey result that shows institutions having an existing required policy indicated it met the compliance requirement in 2 CFR 200 of the Uniform Guidance. The two respondents (that comprises 14%), one from direct service nonprofit and one from a NRIHE stated that their institution does not have an existing subaward policy. In an over-the-phone interview with the author, one respondent claimed that the reason for not having a policy in place was that most small-scale NPO could not develop their subrecipient and subcontract policy.

Figure 12 Result of Respondents Awareness of the Uniform Guidance



The responses to Questions 8, and 9 will have a significant impact on this Capstone Project since it pertains to the respondent’s awareness of the regulatory requirements under

UG 2 CFR 200.331. Under the Uniform Guidance all Institutions are obligated to monitor and manage subrecipients and subcontracts. The need to develop policies and procedures in subaward management is a requirement under 2CFR 200.331. The existence of subaward policies and procedures in an institution particularly in a NRIIHE indicates the intention of complying with the required federal regulations. Identification of funds received as subrecipients and funds issued as subawards is essential since monitoring and management will be dependent on the correct classification.

The requirements stated in the Uniform Guidelines and its application will depend on the performance of each staff assigned to do the specific task. Therefore, specific roles and responsibilities of each staff is essential to the subaward management. Figure 12 shows that 93% of the respondents were informed of the subaward management Federal requirements. This result is significant because being informed of the Federal requirements means there is an understanding of an obligation to monitor and manage subrecipients and subcontracts.

Figure 13 Respondents Awareness of Uniform Guidance Result

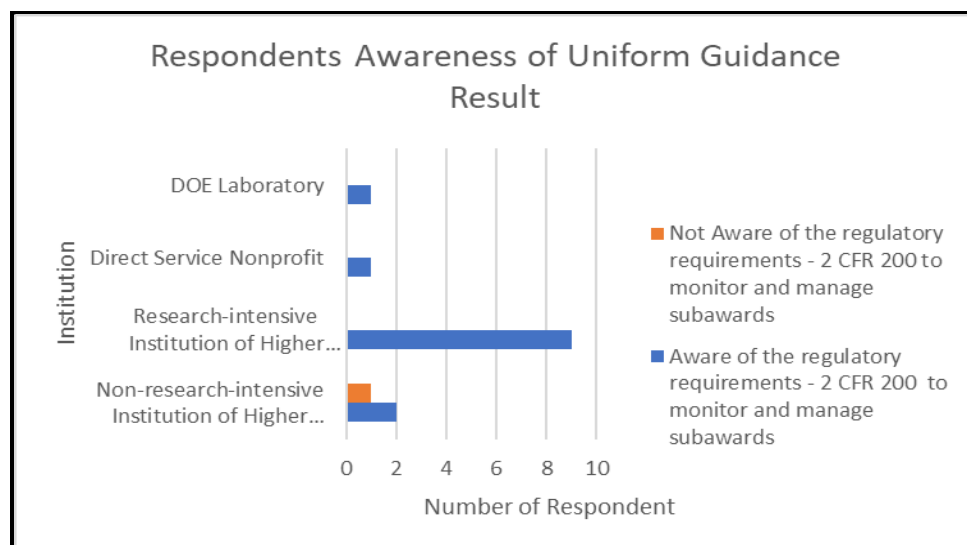
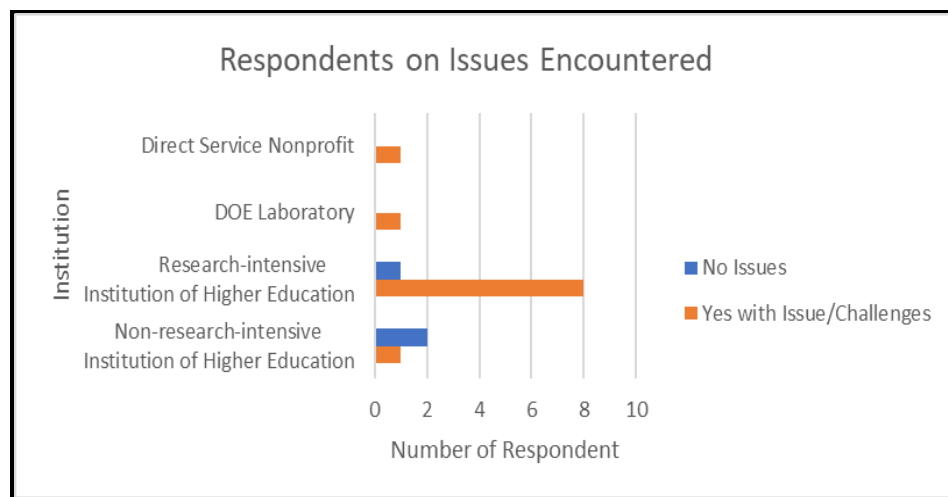


Figure 13 further shows that one of the respondents from a NRIIHE was not aware of the federal requirement at all. As previously mentioned, the Uniform Guidance specified that proper monitoring and management of subawards is required. Compliance with the Uniform Guidance will depend on the performance of each personnel that is assigned to do the specific task in subaward management. Therefore, understanding the specific roles and responsibilities of each staff is essential to the subaward management.

Figure 14 Respondents on Issues Encountered



The survey results for Question 9 are shown in Figure 14. Out of 14 respondents, only three respondents represented by one from a RIIHE, and two from a NRIIHEs, stated that they did not encounter any issues in the subaward management. For those that did not encounter any issues, their participation in the survey was at an end. The greater part of the survey result showed one respondent at the direct service nonprofit, one respondent at a DOE laboratory, eight respondents at a RIIHE, and one at a NRIIHE all stated that they all

encountered issues in the subaward management. Figure 14 showed eleven or 79% of the total respondents faced challenges and issues in managing subawards.

Figure 15 Respondents with Current Subaward Policy that Encountered Issues

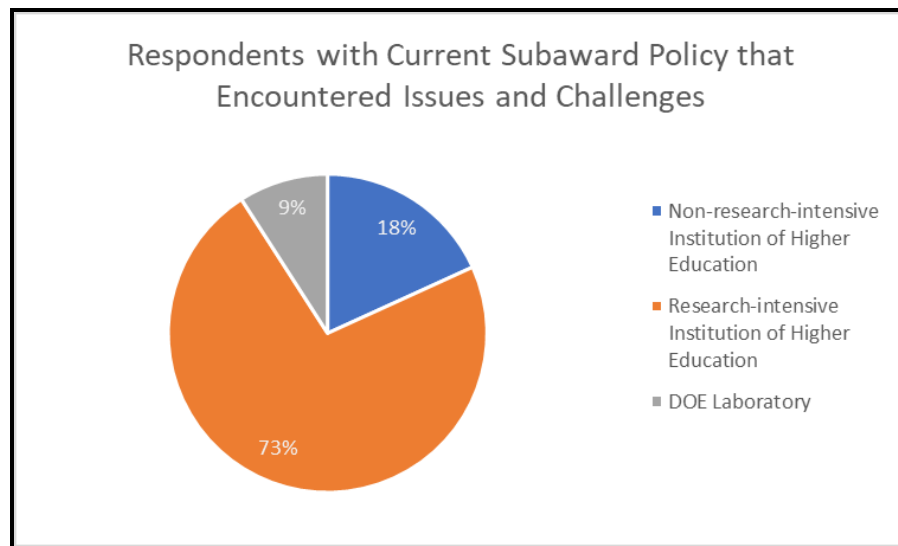
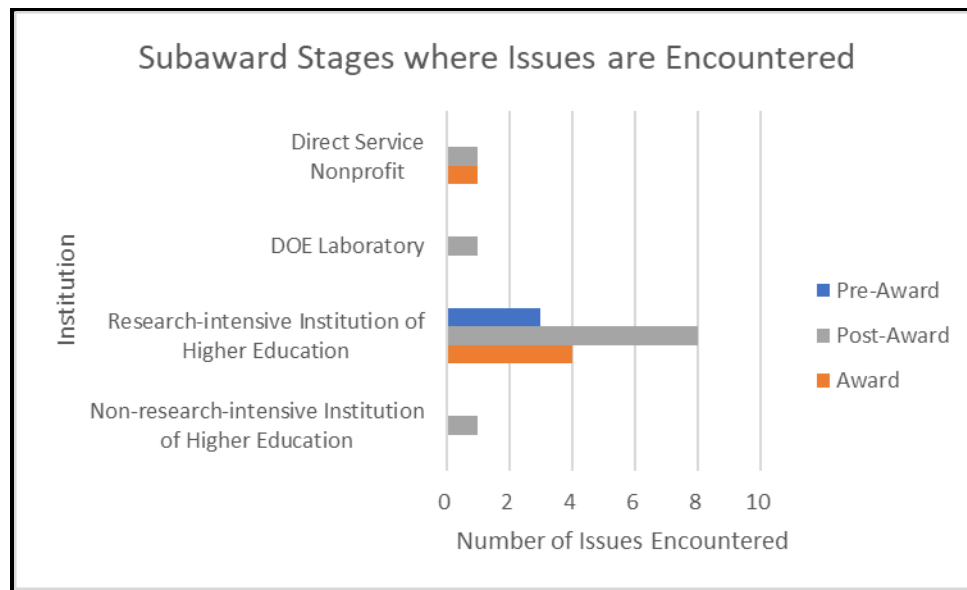


Figure 15 shows the remaining eleven respondents who belong to the institutions that has a current subaward policy and who answered “Yes” when asked about issues encountered in the subaward management. The results of the survey show that even with existing subrecipient and subaward policies represented by 73% at a RIIHE, 18% at a NRIIHE and 9% at a DOE laboratory faced some issues and challenges in dealing with subaward were still experienced.

The respondents who answered “Yes” were routed to question 10 in order to determine in what part of the grant life cycle stage the issues were encountered. Having a subrecipient and subcontract policy does not guarantee that issues and challenges will not be confronted in subaward management as shown in Figure 16.

Figure 16 Subaward Stages where Issues are Encountered



As stated in the Grants.Gov website, there are three main stages of the grant life cycle identified as the Pre-award, Award, and the Post-award stages. As the subaward goes through these stages, there were issues or problems encountered in these stages as shown in the survey result in Figure 16. Of the three stages, the highest issues encountered in subaward management were in the Post-award stage, followed by the Award Stage, with the Pre-Award stage listed last. The survey result shows that one DOE Laboratory and eight RIIHE's encountered the most challenges in the Post Award stage. It was the Direct Service Nonprofit and five research-intensive IHE that encountered challenges while in the Award Stage. Only one respondent at the research-intensive IHE encountered the challenge in the Pre-award stage.

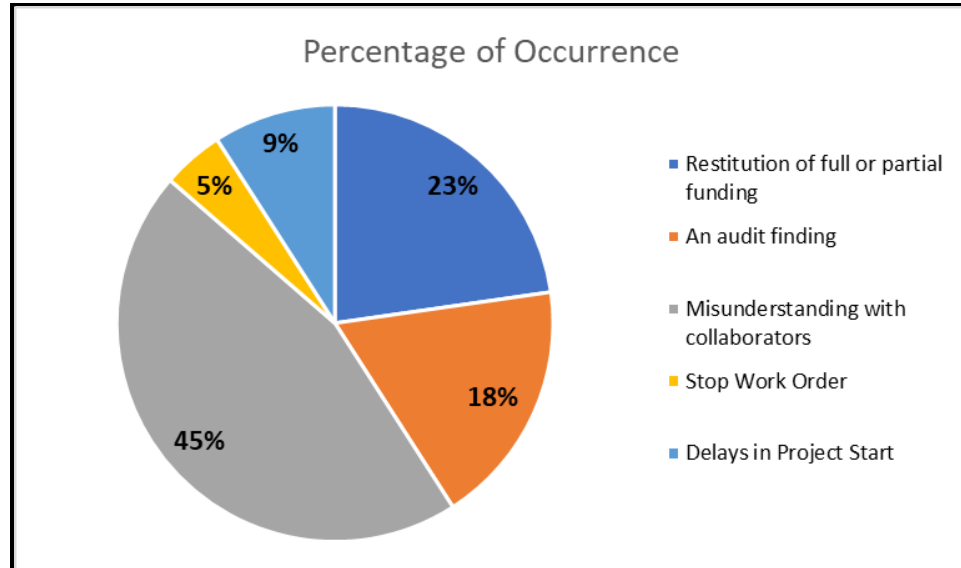
A phone interview with one of the respondents stated that most issues encountered in the Post-Award included problems with late invoices, insufficient or no supporting expenditure documentation, incorrect account balances, incorrect calculation of the

indirect cost rate, budget line overpayment, unallowable expenses, and incorrect date period.

The issues and challenges encountered by the PTE at different stages had resulted in different circumstances that were listed in Question 11 such as an audit finding, restitution of full or partial funding, stop work order, and misunderstanding with collaborators. In addition, delays in the project start contributed to the result of an issue encountered by one of the respondent.

As shown in Figure 17, the responses for Question 11 showed that 45% of the respondents encountered misunderstandings with their subrecipient. 23% of the respondents reported that they encountered issues associated of restitution of partial funding back to the agency as a result of an audit finding

Figure 17 Percentage of Occurrence



Other challenges such as stop work orders were experienced by 5% of the respondents while delays in the project start dates were encountered by 5% of the



respondents. The survey results from the issues and challenges encountered by PTE and subrecipients suggested that the existence of policies and procedures in subaward management does not eliminate all difficulties but may serve as a guide in resolving issues such as misunderstandings with collaborators. It may also help to prevent more serious consequences such as an audit finding or restitution of full or partial funding to the agency. The survey results also suggested that a continuous need exists for institutions to make sure that their subaward management policies and procedures are kept up to date.

In question 11, the author listed the possible results of issues and challenges encountered in subaward management. As an example, during a telephone interview, a respondent reported that the restitution of full or partial funding happened when an invoice was submitted after the grant had been closed. This can indicate to an auditor that transaction deadlines were not properly enforced by the Institution and that the cost-reimbursement invoice on incurred expenses had failed to meet the allowability, allocability, and reasonableness under the subaward and subcontract per 2 CFR Part 200 (Uniform Guidance), Subpart E (§200.403, §200.404, §200.405)<sup>47</sup>.

One of the most significant issues reported by 45% of the respondents was misunderstandings in dealing with collaborators. This usually happens when there is miscommunication between the PTE and the subrecipient. The reason for these misunderstandings may be that the subrecipient does not have enough experience in handling subawards, they cannot meet their subaward objectives, or they or do not have enough personnel to deal with the intricacies of subaward management. Delays in project

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<sup>47</sup> e-CFR subpar E-Cost Principles. 2018. Accessed March 30, 2018. <https://www.ecfr.gov/cgi-bin/text-idx?SID=7717f3bfaec5546c1cf131fb7af9262e&mc=true&node=sp2.1.200.e&rgn=div6>

start dates may have resulted due to possible miscommunication such as the late receipt of the copy of the fully executed<sup>48</sup> subaward agreement.

In addition, respondents reported issues with stop-work orders. Stop work orders happen if the funder has budget cuts or if the funder is not satisfied with the subawardee's progress. In some cases, stop-work order happens if a funding agency instructs the PTE to stop work due to agency shutdown<sup>49</sup>. When a stop-work order occurs, communication between the collaborators can result in payment delays and negative communication especially if the stop-work order is issued for cause. Issues and challenges in subaward management may result in an audit finding or multiple audit findings. In an audit finding NCARUCAR stated the following:

An audit finding is a significant issue identified during the audit (such as non-compliance with Terms and Conditions in an award or grant). Findings include criteria or basis for determining that a problem does exist, a condition or situation that was observed, the effect or impact of the condition, and the cause of the problem to the extent that it can be determined. Findings may include criteria or basis for determining that a problem does exist, a condition or situation that was observed, the effect or impact of the condition, and the root cause of the problem

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<sup>48</sup>USLegal.com. 2018. Executed Contract Law and Legal Definition. Accessed April 13, 2018. <https://definitions.uslegal.com/e/executed-contract/>

<sup>49</sup> Investopedia. 2018. Government Shutdown. Accessed March 15, 2018. <https://www.investopedia.com/terms/g/government-shutdown.asp>

to the extent that it can be determined. Findings should result in recommendations that resolve the issue and are helpful to management.<sup>50</sup>

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<sup>50</sup> NCARUCAR Internal Audit. 2018. "What is an Audit Finding" Accessed March 30, 2018. <https://www2.fin.ucar.edu/faqs/ia/what-audit-finding>

## **Chapter 7. Recommendations and Conclusions**

### **7.1 Creation of Work Process**

Based from the survey results gathered, collected, and analyzed on the respondent's replies, the policies and procedures for the subaward management should be designed and built within each phase of the grant lifecycle stages. Most RIIHE invest in an electronic grant management subaward software due to high number of subrecipient and subaward transactions. Consequently, most of these RIIHE use a streamlined approach that involves automation or "automatically controlled operation of an apparatus, process, or system by mechanical or electronic devices that take the place of human labor."<sup>51</sup> However, not all NRIHE have the capacity to invest, maintain, or modify an existing program.

The Capstone project analyzed the survey results to begin the work process by identifying the needs of each phase in the subaward lifecycle stages. The results gathered brought about by the issues and challenges encountered in subaward management such as an audit finding, restitution of full or partial funding, stop work order, and misunderstanding with collaborators. From these identified problems, IHEs should establish subaward objectives, and responsible staff should be identified. Staff roles and responsibilities are listed to determine the order of actions to create the subaward process.

### **7.2 Recommendations**

Based on the results of the Capstone Project survey questionnaire, even with policies and procedures in place, the respondents from IHE and other institutions,

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<sup>51</sup> Machine Design Build - Zeta Group Engineering and ... 2018. Accessed April 6, 2018. <http://zetagrouppengineering.com/machine-design-build/>

nonetheless continue to encounter issues and challenges in subaward management. Based on the survey result, the issue that the respondents encountered the most that also has the highest percentage score was the misunderstanding with collaborators.

**Recommendation 1:** Regular Communication between the PTE and the subrecipient is needed.

Misunderstanding happens when communication, whether verbal or written message is not working properly. Regular communication with the subrecipients by email, phone call, or conducting site visits will help solve this problem. Constant communication should also be applied within the PTE's institution through a well-defined policies and procedures regarding subaward management.

**Recommendation 2:** Well-defined policies and procedures on subawards should be in place at every IHE that receives federal funding.

Well-defined policies and procedures can provide many advantages to an IHE. Well-defined policies and procedures can provide the subaward team with information about what is expected of them, how systems and guidelines operate, understanding the regulations, how to deal with decision making on a day-to-day basis, and ways to communicate the regulations with the new researcher. A sample of policies and procedures on subrecipients were collected and summarized from the five IHE's in this project. These policies and procedures can be applied to a non-research intensive IHE so that they can achieve successful subaward management.

**Recommendation 3:** Identify roles and responsibilities of research administrators who work with subawards.

The success of an award depends on the joint effort of the institution's subaward team and collaborative environment. To achieve proper communication and success, the subaward team should be aware of their roles and responsibilities so that proper direction will be given should any problem arise. Understanding their role and responsibility in the subaward process allows each member to be held accountable for their actions and provides them with confidence that they can rely on the quality of each other's work in order to attain a mutual objective.

**Recommendation 4:** When an award is funded the PTE should conduct an orientation with new and existing subrecipients.

When an award is funded, it is recommended to meet and conduct an orientation with new and existing subrecipients/collaborators. In an article written by David E. Hartl, there are several types of meetings<sup>52</sup>. Meeting up with collaborators is one way to assure that everyone knows what is happening, when something is happening and who is responsible. Team building meetings have several benefits such as to communicate together, resolve conflicts, exchanging knowledge and feelings, focus strengthening of goals, build relationships, clarify existing issues, and build trust with colleagues. Meeting with the subrecipients is the best time to discuss the expectation requirement from both parties for the success of the project.<sup>53</sup>

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<sup>52</sup> David E Hartl. 1993, rev. 2003. Accessed March 30, 2018.  
<https://helenagmartins.files.wordpress.com/2015/05/different-types-of-meetings-and-how-to-make-them-work.pdf>

<sup>53</sup> Ibid

**Recommendation 5:** All research administrators and PIs involved in the subaward process should have training on current rules and regulations affecting subawards.

Every IHE, including PUI's must be apprised of the current research administration rules and regulations. Getting the right knowledge<sup>54</sup> can be accomplished through colleagues, reading references books or journals, using search engines, enrolling in a university, networking with the research community, attending seminars or conferences, web-based training, and/or joining a professional organization. The research administration professional organizations include the Society of Research Administrators International (SRA), National Council of University Research Administrators (NCURA), National Grants Management Association (NGMA), Grants Professional Association (GPA), and others. These organizations offer a wide range of trainings, conferences and conventions to gather, discuss, exchange ideas or concerns, and learn the various Federal regulation on grant management.

### **7.3 Conclusion**

The Uniform Guidance is comprised of regulations many of which were taken from previous Office of Management and Budget (OMB) Circulars and compiled into a single document. It includes regulations required for administering Federal Awards, including subrecipient awards and monitoring. Under previous OMB Circulars the subaward,

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<sup>54</sup> How to. 2018. Accessed March 30, 2018. <https://www.wikihow.com/Increase-Your-General-Knowledge>

subrecipient, and subcontractor terms and conditions were confusing when applied to Federal funds. These terms when issued under the Uniform Guidance provided clear definitions, method of determination, and standards for monitoring subawards and subrecipient for Federal awards. An IHE is mandated to comply with the subaward management and monitoring requirements as stated in the Uniform Guidance. It is the IHE's responsibility to develop policies and procedures for managing and monitoring subawards to comply with the Uniform Guidance. The results drawn from the study proved that issues and challenges can still occur and can lead to more serious consequences (such as an audit finding or misunderstanding with collaborators), despite having an established policies and procedures in subaward management. Other than having constant communication with collaborators, issues and challenges encountered can be prevented by creating subaward work processes. These work processes should include the roles and responsibilities of personnel involved in subaward management and should be incorporated into the complete stage cycles of the subaward when developing the policies and procedures in managing subawards, as illustrated in Appendix 3 of this capstone project.



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## Appendix 1

### The Questionnaire

#### Subrecipient and Subaward Questionnaire

I appreciate your time in agreeing to take part in this brief survey that will take no more than 10 minutes of your time. Your responses would significantly contribute to my work as a graduate candidate in the Master of Science Program in Research Administration at Johns Hopkins University. As part of my Capstone Project Paper on the topic of subawards, I would like to request your responses to some questions regarding the management of subawards at your university. By completing this survey or questionnaire, you are consenting to be in this research study. Your participation is voluntary, and you can stop at any time. Please be assured that all your answers would be treated with utmost confidentiality.

**Questions: Please circle one letter when answering each question.**

1. Please circle the letter of your institution's category
  - a. Non-research-intensive Institution of Higher Education
  - b. Research-intensive Institution of Higher Education
  - c. Other, please specify\_\_\_\_\_
2. Please circle the letter of your employment designation
  - a. Principal Investigator
  - b. AVP-Sponsored Programs
  - c. Grant Accountant
  - d. Accounts Payable Staff
  - e. Other, please write your job title\_\_\_\_\_
3. From 2012 to 2017, did your institution **receive** grant awards and grant contracts that involved subrecipients?
  - a. Yes, our institution received only one grant award and grant contract that involved subrecipient
  - b. Yes, our institution received more than one grant award and grant contract that involved subrecipient

- a. How many grant awards did you receive that involved one or more subrecipients?
      - i. 1-5
      - ii. 6-10
      - iii. over 10
    - c. No, our institution did not receive any grant award or grant contract that involved subrecipient
- 4. From 2012 to 2017, did your institution issue subawards or subcontracts to subrecipients?
  - a. Yes, our institution issued only one award or contract that involved subrecipient
  - b. Yes, our institution issued more than one grant awards and grant contracts that involved subrecipient
    - a. How many grant awards did you receive that involved one or more subrecipients?
      - i. 1-5
      - ii. 6-10
      - iii. over 10
    - c. No, our institution did not issue any grant awards and or grant contracts that involved subrecipient
- 5. Does your institution have a current subrecipient and subcontract policy?
  - a. Yes
  - b. No
- 6. Are you aware of the regulatory requirements, such as 2CFR 200 and Federal Acquisition Regulation, to monitor and manage subrecipients and subcontracts?
  - a. Yes
  - b. No
- 7. Did your institution encounter any challenges in the subrecipient and subcontract management?
  - a. Yes (If yes, please answer questions 8 and 9)
  - b. No (If no, you are done with the survey)



8. Do any of the challenges your institution encountered in subrecipient and subcontract management involves the grant life cycle (as defined by Grants.gov) listed below? **Please circle all that apply.**
- a. Pre-Award (Funding Opportunity Announcement & Application Review)
  - b. Award (Award decisions & Notifications)
  - c. Post-Award (Implementation, Reporting & Closeout)
9. Have any of the challenges your institution encountered in the management of subrecipient and subcontract resulted to any of the items listed below? **Please circle all that apply.**
- a. An audit finding
  - b. Restitution of full or partial funding
  - c. Stop work order
  - d. Misunderstanding with collaborators
  - e. Other, please specify\_\_\_\_\_

## Appendix 2

### The Johns Hopkins University Institutional Review Board Approval

 <b>JOHNS HOPKINS</b> UNIVERSITY	
<b>Homewood Institutional Review Board</b> 3400 N. Charles Street Wyman Park Building, Suite N468 Baltimore MD 21218-2685 410-516-6580 <a href="http://homewoodirb.jhu.edu/">http://homewoodirb.jhu.edu/</a>  Michael McCloskey, PhD IRB Chair	
<b>Date:</b> February 19, 2018	
<b>PI Name:</b> Marianne Woods <b>Study #:</b> HIRB00007031 <b>Study Name:</b> Developing Policies and Procedures in an Institution of Higher Education for Managing Subawards  <b>Date of Review:</b> 2/19/2018 <b>Date of Approval:</b> 2/19/2018	
<p>The Homewood IRB reviewed the information provided for the above-mentioned project and has determined that this research does not qualify as federally-regulated human subjects research, and therefore does not require IRB approval. This determination has been made with the understanding that the proposed research either (a) does not involve a systematic research investigation designed to develop or contribute to generalizable knowledge, or (b) does not collect identifiable private data about a human participant.</p> <p>You may proceed with the study at any time. No further communications with the HIRB are necessary unless the procedures in your project are changed in such a manner that would require IRB review or approval.</p> <p>Please keep this message in your files for future reference. Thank you for contacting the Homewood IRB about this research and for providing the requested information to make this determination. Your cooperation is greatly appreciated.</p> <p>Study Team Members: Ma Felicidad Vidad</p>	
<small>APPROVAL IS GRANTED UNDER THE TERMS OF <b>FWA00005834</b> FEDERAL-WIDE ASSURANCE OF COMPLIANCE WITH DHHS REGULATIONS FOR PROTECTION OF HUMAN RESEARCH SUBJECTS</small>	

### Appendix 3

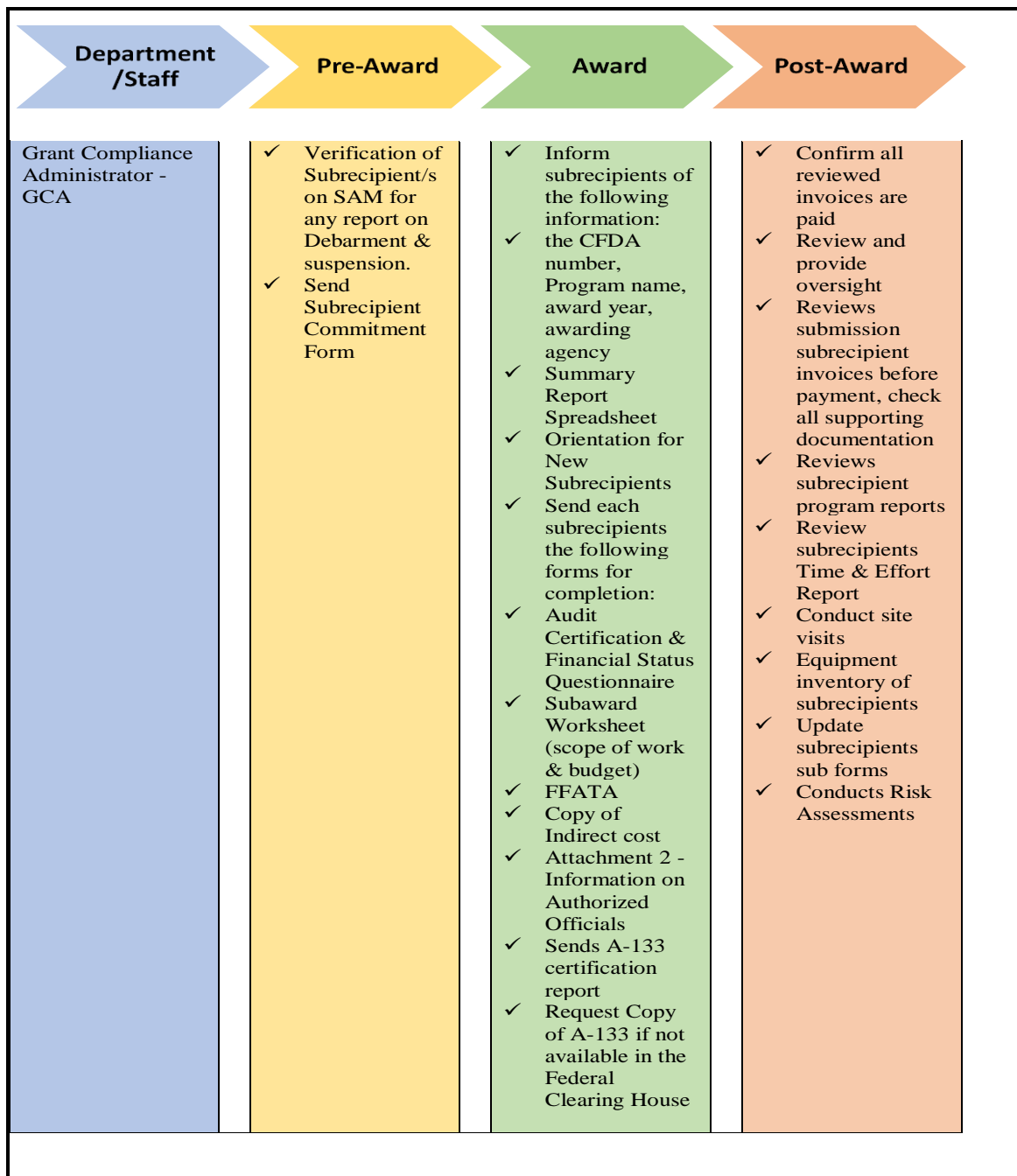
#### Roles and Responsibilities in Subaward Management<sup>55,56,57,58</sup>

Department /Staff	Pre-Award	Award	Post-Award
Department/Staff	Tasks	Tasks	Tasks
Principal Investigator (PI)	<ul style="list-style-type: none"> <li>✓ Scope of work</li> <li>✓ Budget</li> <li>✓ Identify Subrecipient/s</li> </ul>	<ul style="list-style-type: none"> <li>✓ Read NOA, check if amount proposed different from approved</li> <li>✓ Initiates request for No cost extension</li> <li>✓ Approves &amp; Reviews Subaward/Subcontract</li> </ul>	<ul style="list-style-type: none"> <li>✓ Review Invoice payment on % of work done</li> <li>✓ Approves all invoices from subrecipient for payment</li> <li>✓ Prepare technical reports</li> </ul>
Chair/Dean Faculty	<ul style="list-style-type: none"> <li>✓ Review Proposal</li> </ul>	<ul style="list-style-type: none"> <li>✓ Read Activation Memo</li> <li>✓ Check on Terms and Conditions</li> </ul>	<ul style="list-style-type: none"> <li>Approves salary of PI and other University Faculty on specified grant</li> </ul>
Associate Vice President-Sponsored Programs Office (AVP-SPO)	<ul style="list-style-type: none"> <li>✓ Review Proposal</li> </ul>	<ul style="list-style-type: none"> <li>✓ NOA Acceptance</li> <li>✓ New NOA to be included in next Board Report</li> <li>✓ Reviews expenditures, technical reports</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reviews salary and other expenses charged to the grant</li> <li>✓ Reviews final technical report</li> <li>✓ Reviews final financial report</li> <li>✓ Close-out Letter to subrecipient</li> </ul>
Grant Administrator - GA	<ul style="list-style-type: none"> <li>✓ Search for funding Opportunities</li> <li>✓ Review Scope of Work &amp; Budget</li> </ul>	<ul style="list-style-type: none"> <li>✓ Inform GCA that NOA has subrecipient(s)</li> <li>✓ Work with GCA if subrecipient or vendor</li> <li>✓ Grant Activation Memo</li> <li>✓ Summary Report</li> <li>✓ Spreadsheet</li> <li>✓ Prepares amendments</li> </ul>	<ul style="list-style-type: none"> <li>✓ Prepares de-activation memo</li> <li>✓ Review that all program &amp; financial report on file</li> </ul>

<sup>55</sup> Michael L. Smith and James Erwin, Role & Responsibility Charting (RACI). Accessed March 31, 2018. [http://www.pmicie.org/images/downloads/raci\\_r\\_web3\\_1.pdf](http://www.pmicie.org/images/downloads/raci_r_web3_1.pdf)

<sup>56</sup> Arizona State University. Research Administration. April 28, 2017. Roles and Responsibilities. Accessed March 31, 2018. <https://researchadmin.asu.edu/subawards/roles-responsibilities>

<sup>57</sup> Wayne State University – Sponsored Program Administration. Accessed March 31, 2018. [https://research.wayne.edu/spa/pdf/subaward\\_roles\\_and\\_responsibilities.pdf](https://research.wayne.edu/spa/pdf/subaward_roles_and_responsibilities.pdf)



<sup>58</sup> University of Wisconsin -Madison. UW-Madison Subaward Lifecycle Roles and Responsibilities. Accessed March 31, 2018.  
[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.rsp.wisc.edu%2Fawardmgt%2FSubaward\\_Lifecycle\\_Roles\\_Responsibilities\\_v3.docx](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.rsp.wisc.edu%2Fawardmgt%2FSubaward_Lifecycle_Roles_Responsibilities_v3.docx)

Department /Staff	Pre-Award	Award	Post-Award
Dean's Office - Program Assistant/Program Coordinator		<ul style="list-style-type: none"> <li>✓ Liaise with GCA and subrecipients on supporting documentation</li> <li>✓ Prepare requisition on the electronic procurement system/manual for Purchase Order</li> </ul>	<ul style="list-style-type: none"> <li>✓ Prepare Cost Receipt in the electronic Procurement system</li> <li>✓ Review Invoice</li> <li>✓ Attach Invoice reviewed by GCA &amp; approved by PI</li> </ul>
Finance Department - Grant Accountant		<ul style="list-style-type: none"> <li>✓ Activate Grant in Financial System</li> <li>✓ Time &amp; Effort Reporting</li> <li>✓ Review Notice of Award</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approves &amp; verifies the allowability, reasonableness, allocability, and consistent treatment of expenditures</li> <li>✓ Initiates and encumbers personnel transactions</li> <li>✓ Initiates request for re-budgeting and cost transfers</li> <li>✓ Work with PI and Prepares Financial Report</li> <li>✓ Prepare SEFA report</li> <li>✓ Work with PI and prepare close-out documentation</li> <li>✓ Prepare Purchase Order remaining rollover</li> <li>✓ Prepare Accruals for Year-End closing</li> </ul>

Department /Staff		Pre-Award	Award	Post-Award
Finance Department - Accounts Payable			<ul style="list-style-type: none"> <li>✓ Review Invoice</li> <li>✓ Match Purchase Order</li> <li>✓ Review Cost Receipt</li> </ul>	<ul style="list-style-type: none"> <li>✓ Process check payment of subrecipient invoices</li> </ul>
Legal Department - Legal Counsel			<ul style="list-style-type: none"> <li>✓ Review Subcontract</li> <li>✓ Review all attached documents</li> <li>✓ Approve full execution of subcontract agreement</li> </ul>	
Purchasing Department – Purchasing Officer			<ul style="list-style-type: none"> <li>✓ Review Purchase Requisition</li> <li>✓ Review the check box for multiple invoice</li> <li>✓ If necessary, send Vendor additional forms for completion</li> <li>✓ Second review Purchase Requisition to generate Purchase Order</li> </ul>	<ul style="list-style-type: none"> <li>✓ Close remaining encumbered Purchase Order approved by PI and reviewed by Grant Accountant</li> </ul>

MA. FELICIDAD MESINA VIDAD

The author is known as Ditas Vidad by her peers and colleagues. Ditas received her BA in Accounting at the Polytechnic University of the Philippines. Because of her dedication, work ethic and passion in research administration her career flourished at a State University in Chicago, Illinois. She is a member of the Society of Research Administrators (SRA) and the National Grants Management Association (NGMA) where she served as part of the Education Committee. Ditas spends her free time cooking, reading books, and traveling to different places. She is very proud of her smart and witty daughter. Ditas is married to a multi-talented loving husband who works as a nurse.